

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark one)

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

For the fiscal year ended August 31, 2004

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_ .

Commission file number 1-11038

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**

(Name of small business issuer in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-0857886

(I.R.S. Employer Identification No.)

6680 N. Highway 49

Lino Lakes, Minnesota

(Address of principal executive offices)

55014

(Zip Code)

(651) 784-1250

(Issuer's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.02 per share	The American Stock Exchange

Securities registered under Section 12(g) of the Exchange Act:

None

Check 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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained herein, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The Registrant's revenues for the fiscal year ended August 31, 2004 were \$10,915,676.

As of November 22, 2004, 3,581,982 shares of common stock of the Registrant were outstanding, and the aggregate market value of the common stock of the Registrant as of that date (based upon the \$6.15 per share closing price of the Common Stock at that date as reported on the American Stock Exchange) excluding 1,062,402 outstanding shares beneficially owned by directors and executive officers, was \$15,495,417.

**DOCUMENTS INCORPORATED BY REFERENCE**

Part III of this Annual Report on Form 10-KSB incorporates by reference information (to the extent specific sections are referred to herein) from the registrant's Proxy Statement for its 2005 Annual Meeting of Stockholders to be held January 28, 2005.

Transitional Small Business Disclosure Format (check one): Yes  No

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## PART I

*This Form 10-KSB contains certain forward-looking statements. For this purpose, any statements contained in this Form 10-KSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate” or “continue” or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, including those set forth in the section below entitled “Item 1. Description of Business — Forward-Looking Statements” and in “Item 6. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Report.*

### Item 1. DESCRIPTION OF BUSINESS.

#### (a) Business Development

Northern Instruments, Inc., a predecessor to Northern Technologies International Corporation, was incorporated in the State of Minnesota on August 4, 1970. In 1976, Northern Instruments, Inc. changed its name to Northern Instruments Corporation. In 1978, Northern Instruments Corporation reincorporated into the State of Delaware by merging into Northern Instruments Corporation, a newly formed Delaware corporation. In 1993, Northern Instruments Corporation changed its corporate name by merging into a wholly owned subsidiary, Northern Technologies International Corporation. Northern Technologies International Corporation is referred to as “NTIC” or the “Company” in this Report.

In 1999, the Company organized a wholly owned subsidiary, Northern Instruments Corporation, LLC, an Ohio limited liability company (“NIC”), and the instruments operations of the Company were transferred into NIC. All operations of NIC were terminated as of August 31, 2002. The operating results and assets of NIC are included in the consolidated financial statements of the Company prior to August 31, 2002.

On January 1, 2000, the Company organized a wholly owned subsidiary, NTI Facilities, Inc. The operating results and assets of NTI Facilities, Inc. are included in the consolidated financial statements of the Company.

#### (b) Business of the Company

##### General

The Company offers expert technical service in corrosion management and unique technically superior products that prevent corrosion. The products and services primarily include proprietary volatile corrosion inhibiting products and packaging, sold under the brand name ZERUST® (“ZERUST”). NTIC provides rust and corrosion protection products and custom packaging systems for avionics, automotive, electronics, electrical, mechanical, and military applications. Additionally, NTIC offers direct on-site technical support on rust and corrosion issues in 49 countries, and operates a marketing, distribution, and technical network through joint ventures in Asia, Europe, and South America. In a concerted effort to extend the Company’s technological grasp, the Company engages in scientific research and development programs in the areas of material science and corrosion protection in new applications.

##### Corporate Joint Ventures and Holding Companies

The Company participates in several corporate joint venture arrangements, which the Company categorizes into three principal areas: industrial chemical, non-industrial chemical and business consulting.

The Company’s industrial chemical corporate joint ventures generally provide for the manufacturing, marketing and distribution of materials science based industrial packaging products based upon the Company’s corrosion inhibiting technology. Both the Company and the Company’s corporate joint venture in Germany, Excor Korrosionsschutz-Technologien und Produkte GmbH (“Excor”), through Excor’s wholly owned subsidiary Excor Korrosionsforschung GmbH, manufacture and supply these joint ventures proprietary ingredients, called Masterbatch, that make the Company’s materials science based industrial packaging products functional. Each of the joint ventures then manufactures, markets and sells the finished product generally in the country in which it is located. These corporate joint venture arrangements allow the Company to market and sell its products

successfully in foreign countries through the marketing efforts of its joint venture partners without the Company having to develop its own international sales force. The Company’s corporate joint venture partners are knowledgeable in the applicable environmental, labor, tax and other requisite regulations and laws of the respective foreign countries in which they operate, as well as the local customs and business practices, and as equal partners have a vested interest in making each joint venture a success.

React-NTI LLC is an industrial chemical corporate joint venture of the Company that focuses on the development, manufacture and marketing of proprietary lines of bio-based additives with both industrial and personal care applications. Based on cotton, soy, corn and other renewable resources, React-NTI products outperform many synthetically derived competing alternatives. React-NTI’s target market includes NTIC’s existing industrial customer base, as well as the personal care/cosmetics industry.

The Company has a 50% ownership interest in NTI ASEAN, LLC for its corporate joint venture investments in the ASEAN region. Taiyo Petroleum Gas Co. Ltd., the Company's existing joint venture partner in Japan, owns the remaining 50% ownership interest in NTI ASEAN, LLC.

The Company acquired a 50% ownership interest in a European holding company during fiscal 1997, which was never utilized to invest in a company in Germany as originally intended. In fiscal 2002 the majority of the investment was returned to the original investors. In fiscal 2003, the remaining investment was converted into a new European joint venture in Holland. Taylor Packaging owns the remaining 50% ownership interest.

The Company's non-industrial chemical corporate joint ventures provide for the sales and distribution of electronic sensing instruments through the existing corporate joint venture network.

The Company has a 50% ownership interest in Northern Instruments Corporation LLC for its corporate joint venture investments in Mutec GmbH in Germany. Taiyo Petroleum Gas Co. Ltd., the Company's existing joint venture partner in Japan, owns the remaining 50% ownership interest in Northern Instruments Corporation LLC. Northern Instruments Corporation LLC then owns 80% of Mutec GmbH.

The Company's business consulting corporate joint ventures utilize various government and military associations to develop new sales leads and potential investment opportunities. Additionally, one such business consulting corporate joint venture provides for corporate representation at international and private financial institutions.

The following table sets forth a list of the Company's corporate joint ventures as of August 31, 2004, indicating which joint ventures are industrial chemical, which is non-industrial chemical and which are business consulting, the country in which the joint venture is organized, the Company's ownership percentage in each joint venture and the date of the Company's original investment in each joint venture:

<u>Joint Venture Name</u>	<u>Country</u>	<u>NTIC Percent (%) Ownership</u>	<u>Date of Original Investment</u>
<b>INDUSTRIAL CHEMICAL CORPORATE JOINT VENTURES</b>			
TAIYONIC LTD.	Japan	50%	1987
ACOBAL SAS	France	50%	1990
ZERUST-NIC CORP.	Taiwan*	25%	1990
EXCOR GmbH	Germany	50%	1991
ST ZERUST (SEA) PTE. LTD	Singapore*	35%	1991
ZERUST AB	Sweden	50%	1991
NTI-ZERUST INIBIDORES DE CORROS fQ O VCI LTDA.	Brazil	50%	1993
EUROMASCH	Austria	50%	1994
MOSTNIC	Russia	50%	1994
KOREA ZERUST CO., LTD.	South Korea	25%	1994
ZERUST OY	Finland	50%	1995
ACOR S.R.L.	Italy	50%	1996
ZERUST (U.K.) LTD.	United Kingdom	50%	1997

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<u>Joint Venture Name</u>	<u>Country</u>	<u>NTIC Percent (%) Ownership</u>	<u>Date of Original Investment</u>
<b>INDUSTRIAL CHEMICAL CORPORATE JOINT VENTURES (continued)</b>			
FATRA-NTI S.R.O.	Czech Republic	50%	1997
EXCOR SP. Z.O.O.	Poland	50%	1998
SPECIALTY - NTIA CO. LTD.	Thailand*	25%	1998
TIANJIN ZERUST CO.	China*	25%	2000
HARITA-NTI	India	50%	2000
CHONG WAH-NTIA SDN. BHD.	Malaysia*	25%	2000
ZERUST PHILIPPINES	Philippines*	50%	2001
FIBRO NTI JOINT STOCK CO.	Turkey	50%	2002
ZERUST CONSUMER PRODUCTS, LLC	United States	50%	2002
ZERUST BV	Holland	50%	2003
NTI NCC MIDDLE EAST SA.	Lebanon	50%	2003
REACT-NTI, LLC	United States	75%	2003
POLYMER ENERGY LLC	United States	50%	2003
<b>NON-INDUSTRIAL CHEMICAL CORPORATE JOINT VENTURES</b>			
MUTEC GMBH	Germany**	40%	2002
<b>BUSINESS CONSULTING CORPORATE JOINT VENTURES</b>			
WASHINGTON LIAISON OFFICE	United	50%	1997

\* Indirect ownership interest through NTI ASEAN, LLC

\*\* Indirect ownership through Northern Instruments Corporation LLC

While the Company is not aware of any specific potential risk beyond its initial investment in and any undistributed earnings of each of the corporate joint ventures listed above, there can be no assurance that the Company will not be subject to lawsuits based on product liability claims or other claims arising out of the activities of each joint venture. To protect itself against such an occurrence, the Company maintains liability insurance specifically applicable to its ownership positions in the joint venture arrangements in excess of any insurance the joint ventures may maintain.

## Products

The Company develops, manufactures, markets and sells primarily materials science based industrial packaging products, which protect primarily metals against rust and corrosion.

Corrosion negatively affects products and components in the manufacturing industry. This applies to the rusting of ferrous metals (iron and steel) and the deterioration by oxidation of nonferrous metals (aluminum, copper, brass, etc.). In combating corrosion, the traditional approach has been to apply oils and greases to protect metal parts. This approach commonly requires specialized application equipment. In addition, the oils and greases may pose unacceptable health and fire hazards and also may collect and trap dirt and debris that, in some cases, may actually initiate corrosion. For the removal of such oils and greases, chemical solvents and specialized safety equipment may be necessary that typically introduce additional health and hazardous waste disposal problems.

The Company's ZERUST volatile corrosion inhibiting ("VCI") products may entirely eliminate or reduce the use of oils and greases to inhibit corrosion. The Company's ZERUST formulations contain proprietary chemical systems that emit a nontoxic vapor that is diffused throughout an enclosure. Electron scanning microscopy shows that the VCI-rich atmosphere causes VCI molecules to condense in a microscopic layer on all surfaces they reach. The corrosion-inhibiting layer is maintained as long as the metal product to be protected remains within the ZERUST package. Electron scanning further shows that once the contents are removed from the ZERUST package, the VCI layer is eliminated from the contents' surfaces within two hours, leaving a clean, dry and corrosion-free product.

This mechanism of corrosion protection enables the Company's customers to package and ship metal parts so that they arrive ready for use. Furthermore, by eliminating costly greasing and degreasing processes and/or significantly reducing the use of oils to inhibit corrosion, the Company's ZERUST VCI technology provides its customers significant savings in labor, material and capital expenditures for equipment to apply, remove and dispose of oil and grease, as well as the attendant environmental problems, as compared to traditional methods of corrosion prevention.

In 1980, the Company developed a means of combining ZERUST VCI systems with polyethylene and polypropylene resins. The Company was granted a U.S. patent on this process in September 1981, which expired in fiscal 2000. Combining ZERUST VCI systems with polyethylene and polypropylene resins permitted the Company to introduce to United States industry a line of flexible packaging products in the form of low and high density polyethylene bags and shroud film, stretch, shrink, skin and bubble cushioning film, woven scrim and foam sheeting thereby giving packaging engineers an opportunity to ship and store ferrous, nonferrous and mixed multi-metal products in a clean, dry and corrosion-free condition, with an attendant overall savings in total packaging cost.

The Company has expanded its ZERUST product line to include a range of rigid plastic products in the form of profile and corrugated board, thermoformed dunnage trays and bins, injection and blow molded products and flat netting. The Company also has developed additives in liquid form to imbue corrugated cardboard, solid fiber and chipboard packaging materials with VCI corrosion protection properties. Additionally, the Company provides surface treatment liquids, which are oil or water based, marketed under the AXXA brand name.

## Manufacturing

The Company produces its proprietary materials science based industrial packaging formulations and products at its facility in Lino Lakes, Minnesota. The Company's materials science based industrial packaging end products include flexible and rigid packaging systems and other products that are produced according to customer specification by selected contractors who are supplied with the necessary active ingredients by the Company, under a trade secrecy agreement and/or a license agreement.

The Company is ISO 9001 certified with respect to the manufacturing of its products. The Company voluntarily became ISO 14000 certified as of August 2001 with respect to environmental management standards. The Company believes that the process of ISO 9001 certification serves as an excellent total quality management tool, enabling the Company to provide consistency and excellence in its products. The Company believes that the process of ISO 14000 certification serves as an excellent tool for the Company to continuously improve its environmental performance. Also, because potential customers may prefer or require manufacturers to have achieved ISO certification, such ISO certifications may provide the Company with certain competitive advantages.

## Sales and Marketing

In the United States, the Company markets its products principally to industrial users by a direct sales force and through a network of independent distributors and manufacturer's sales representatives. The Company's technical service representatives work directly with the end users of the Company's products to analyze their specific needs and develop systems to meet their technical requirements.

Internationally, the Company has entered into several joint venture and similar arrangements with foreign partners (either directly or through NTI ASEAN, LLC). Pursuant to these arrangements, the Company and/or Excor, the Company's corporate joint venture in Germany, supply certain proprietary formulations to the Company's foreign joint venture entities, which, in turn, provide for the international manufacture and marketing of ZERUST and others finished products.

The Company receives fees for providing technical support and marketing assistance to its joint ventures in accordance with the terms of the joint venture arrangements.

## **Competition**

The Company is aware of other organizations that manufacture and market corrosion inhibiting packaging products, which compete with the Company's ZERUST products. The Company evaluates competing products on an ongoing basis.

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Some of the Company's competitors are established companies that may have financial and other resources greater than those of the Company. Additionally, some of these companies may have achieved significant market acceptance of their competing products and brand recognition. The Company competes with such companies by providing high quality products and by attempting to provide the highest level of customer service, including real time direct technical support and applications engineering.

## **Customers**

One of the Company's customers accounted for approximately 15% and 13% of the Company's net sales for the fiscal years ended August 31, 2004 and 2003 respectively, and \$119,468 and \$219,054 of the Company's receivables at August 31, 2004 and 2003, respectively.

## **Research and Development**

The Company's research and development activities are directed at improving existing products, developing new products and improving quality assurance through improved testing of the Company's products. In 1997, the Company's joint venture in Germany, Excor, established a wholly owned subsidiary, Excor Korrosionsforschung GmbH, to conduct research into new fields of materials science based industrial packaging and the applications engineering of such products in conjunction with the Company's domestic research and development operation. Today, the Company's internal research and development activities are conducted at its facilities located in Lino Lakes, Minnesota; Beachwood, Ohio, Dresden, Germany, and various international locations under the direction of internationally known scientists and research institutes under exclusive contract to the Company with respect to the subject of their respective research efforts. The conduct of the Company's research and development activities outside Minnesota, Ohio and Germany, as with the results of the Company's research and development efforts conducted with the support of Michigan State University and the University of Missouri, frequently results in development of intellectual property rights for the Company. The Company spent \$1,670,014 in fiscal 2004 and \$897,920 in fiscal 2003 in connection with its research and development activities.

## **Intellectual Property Rights**

The Company's success depends and will continue to depend in part upon its ability to maintain patent and trademark protection for its products and processes, to preserve its proprietary information and trade secrets and to operate without infringing the proprietary rights of third parties. The Company's policy is to attempt to protect its technology by, among other things, filing patent applications and trademark applications and vigorously preserving the trade secrets covering its technology and other intellectual property rights.

In 1979, the Company developed and filed for a U.S. patent on the first Volatile Corrosion Inhibiting ("VCI") Chemistry and Technology to be incorporated in polyolefin industrial packing material in the world. The U.S. patent granted under this patent application became the single most important intellectual property right in the Company's history, and despite the lack of international patent protection, the Company believes it proved to be the basis for the development of the Company's federation of international joint venture partners worldwide. This patent expired in 2000 and due to inadequate funds and resources and the uncertainty as to the viability and market acceptance of the VCI Technology, the Company never pursued international protection of this patent. The Company has since filed for nine letters patent in the U.S. covering various corrosion inhibiting technologies, systems and applications. These patent applications have all been extended to the countries of the Patent Cooperation Treaty of relevance to the Company. In addition, the Company's joint venture partner in Germany, Excor, has also filed three patent applications for proprietary new VCI Technology, to which the Company and its other joint venture partners in the rest of the world will have equal rights. The Company is also seeking additional patent protection covering various host materials into which its VCI Technology and other protective features can be incorporated and proprietary new process technologies and chemical formulations outside the area of corrosion protection.

In addition to developing a clear and precise patent protection strategy, the Company has also vigorously pursued an equally clear strategy of seeking and defending the Company's major trademarks in the U.S., both Western and Eastern Europe, and Asia primarily. The Company owns the following U.S. registered trademarks: ZERUST, COR TAB, Defectoscopy, Komanit, NTI and globe design logo, The Color Yellow, Zerust, NTIC—Globe Design, Plastabs, The Zerust People, Excor. The ZERUST mark has also been registered in the European Union and various other Asian and South American countries.

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The Company requires its employees, consultants and advisors having access to its confidential information, including trade secrets, to execute confidentiality agreements upon commencement of their employment or consulting relationships with the Company. These agreements generally provide that all confidential information the Company develops or makes known to the individual during the course of the individual's employment or consulting relationship with the Company must be kept confidential by the individual and not disclosed to any third parties. The Company also requires all of its employees and consultants who perform research and development for the Company to execute agreements that generally provide that all inventions developed by these individuals during their employment by the Company will fall under the Company's proprietary intellectual property rights.

## **Backlog**

The Company had order backlog as of August 31, 2004 of \$224,000 compared to \$220,000 at August 31, 2003. These are orders that are held by the Company pending release instructions from the customers to be used in just-in-time production. Customers generally place orders on an "as needed" basis and expect delivery within a relatively short period of time.

## Availability of Raw Materials

The Company does not carry excess quantities of raw materials or purchased parts because of widespread availability for such materials and parts from various suppliers.

## Employees

As of August 31, 2004, the Company had 46 full-time direct employees located in the United States, consisting of 17 in administration, 12 in sales and marketing, 12 in research and development and lab, four in production and one person responsible for international coordination. There are no unions representing the Company's employees and the Company believes that its relations with employees are good.

## Forward-Looking Statements

This Annual Report on Form 10-KSB contains or incorporates by reference 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. In addition, the Company or others on the Company's behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences, in press releases or reports, on the Company's Internet web site or otherwise. Statements that are not historical are forward-looking and reflect expectations and assumptions. The Company tries to identify forward-looking statements in this Report and elsewhere by using words such as "may," "will," "should," "expects," "anticipates," "contemplates," "estimates," "believes," "plans," "projected," "predicts," "potential" or "continue" or the negative of these or similar terms.

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses as well as matters specific to NTIC. The Company cautions 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 risks and uncertainties described below, as well as others that the Company may consider immaterial or does not anticipate at this time. The following risks and uncertainties are not exclusive and further information concerning the Company and its business, including factors that potentially could materially affect its financial results or condition, may emerge from time to time. The Company assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. The Company advises you, however, to consult any further disclosures it may make on related subjects in its quarterly reports on Form 10-QSB and current reports on Form 8-K it files with or furnishes to the Securities and Exchange Commission.

In addition to the influences identified elsewhere in this Report, there are several important factors that could cause the Company's actual results to differ materially from those anticipated by the Company or which are reflected in any forward-looking statements of the Company. Such factors, which may impact the success of the Company's operations and its ability to achieve its goals, include the following:

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- (1) The Company's ability to make investments in existing and future joint ventures to generate a positive rate of return and demonstrate a pattern of growth consistent with past and current performance;
- (2) The Company's ability to continue to enter into international markets in a timely fashion;
- (3) The Company's ability to maintain gross margins at a level consistent with the technological advantages of its proprietary products; and
- (4) The Company's ability to protect its intellectual property rights.
- (5) The Company's ability to introduce new technology to new and existing markets.

## Item 2. DESCRIPTION OF PROPERTY

The Company's principal executive offices, production facilities and domestic research and development operations are located at 6680 North Highway 49, Lino Lakes, Minnesota 55014. The Company owns approximately 3.5 acres at this site and the three buildings located on this property. The main building, consisting of approximately 15,300 square feet, is used for office space, production, research and development and shipping and receiving. A second building of approximately 7,200 square feet and a third building of approximately 4,800 square feet are used for warehouse space. In 2002, the Company sold a 10-acre parcel of land and a warehouse of approximately 18,000 square feet located in Forest Lake, Minnesota, approximately six miles from the Company's current offices in Lino Lakes, Minnesota.

In fiscal 1999, a subsidiary of the Company, NTI Facilities, Inc., acquired a one-third ownership of Omni-Northern Ltd., an Ohio limited liability company, in contemplation of NTI Facilities, Inc. entering into a lease agreement with Omni-Northern Ltd. for approximately 50% of the net rental space in a building owned by Omni-Northern Ltd. Omni-Northern Ltd. owns and operates a rental property located at 23205 Mercantile Road, Beachwood, Ohio, comprising approximately two acres of land and a building of approximately 34,000 square feet. 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. The Company has guaranteed up to \$329,082 of the Omni-Northern Ltd.'s \$1,970,552 mortgage obligation with National City Bank, Cleveland, Ohio. NTI Facilities, Inc. entered into a 15-year lease agreement with Omni-Northern Ltd. for approximately 17,000 square feet of office, manufacturing, laboratory and warehouse space, requiring monthly rental payments of \$17,500, which are adjusted annually according to the annual consumer price index through November 2014. By its ownership in Omni-Northern Ltd., NTI Facilities Inc. is entitled to one-third of the operating results of Omni-Northern Ltd. Omni-Northern has leased the remaining 50% of the net rental space to other third parties.

## Item 3. LEGAL PROCEEDINGS.

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 pending or threatened litigation would not have a material adverse effect on the financial position or results of operations of the Company.

**Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

**Item 4A. EXECUTIVE OFFICERS OF REGISTRANT.**

The executive officers of the Company, their ages and the offices held, as of November 22, 2004, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position in the Company</u>
Philip M. Lynch	68	Chairman of the Board and Chief Executive Officer
G. Patrick Lynch	37	President of North American Operations
Dr. Donald A. Kubik	64	Vice Chairman of the Board and Chief Technology Officer
Matthew C. Wolsfeld	30	Chief Financial Officer and Corporate Secretary
Dr. Mehmet A. Gencer	52	President and Chief Operating Officer

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Mr. Philip M. Lynch has been Chief Executive Officer and Chairman of the Board of the Company since 1979 and has also been the Executive Vice President of Inter Alia Holding Company, a financial and management consulting firm, for more than six years. Mr. Lynch is also a member of the Board of Directors of EDR Inc. in Cleveland, Ohio. Mr. Philip M. Lynch is the father of G. Patrick Lynch.

Mr. G. Patrick Lynch, an employee of the Company since 1995, has been President of North American Operations since May 2004 and was appointed a director of the Company in February 2004. Mr. G. Patrick Lynch was President and Co-Chief Executive Officer, Vice President of Strategic Planning, Corporate Secretary and a member of the Executive Committee from November 1999 to May 2004. Mr. G. Patrick Lynch is also an officer and director of Inter Alia Holding Company. Prior to joining the Company, Mr. G. Patrick Lynch held positions in sales management for Fuji Electric Co., Ltd. in Tokyo, Japan, and programming project management for BMW AG in Munich, Germany. Mr. G. Patrick Lynch received an M.B.A. degree from the University of Michigan Business School in Ann Arbor, Michigan. Mr. G. Patrick Lynch is the son of Mr. Philip M. Lynch.

Dr. Donald A. Kubik has been employed by the Company since 1978 and was named Vice Chairman in September 1999. Dr. Kubik served as Vice President of the Company from 1979 to September 1999 at which time Dr. Kubik was appointed Vice Chairman. Additionally he served as Co-Chief Executive Officer of the Company from September 1999 to May 2000. In May 2000, Dr. Kubik was made Chief Technology Officer of the Company and is a member of the Executive Committee. During his employment as Chief Technology Officer with the Company, Dr. Kubik has been responsible for developing the patent that led to the Company's introduction of protective plastic film and paper products incorporating volatile corrosion inhibitors. Prior to joining the Company, Dr. Kubik held a research and development position with Minnesota Mining & Manufacturing (3M).

Mr. Matthew C. Wolsfeld, an employee of the Company since February 2001, has been the Company's Chief Financial Officer since November 2001 and Corporate Secretary since November 2004. Mr. Wolsfeld was Controller of the Company from May 2001 through November 2001. Prior to joining the Company, Mr. Wolsfeld held an auditing position with PricewaterhouseCoopers LLP in Minneapolis, Minnesota from 1997 to 2001. Mr. Wolsfeld received a B.A. degree in Accounting from the University of Notre Dame and received his M.B.A. degree at the University of Minnesota, Carlson School of Business. Mr. Wolsfeld is a Certified Public Accountant.

Dr. Mehmet A. Gencer has been President and Chief Operating Officer since November 2004. Previously, he provided consulting services to the Company since May 2000. Atagencer LLC, a limited liability corporation that is principally owned by Dr. Gencer, maintains a 25% ownership interest in the Company's corporate joint venture located in Turkey. Dr. Gencer has been the President and founder of IMET Corporation, Akron, Ohio since 1997. Dr. Gencer was with BF Goodrich Company from 1984 through 1999. While with BF Goodrich Co. he held the positions of Director of Emerging Technologies, Associate Director of Technology and New Business Development, Senior R&D Manager, Environmental Technology Research Manager and Biotechnology Group Senior R&D Engineer. Dr. Gencer obtained his Doctor of Philosophy in Chemical Engineering from Drexel University, Masters of Science in Chemical Engineering from University of Pennsylvania, and Bachelor of Science in Chemical Engineering from Ege University in Turkey.

Officers of the Company, their ages and the offices held, as of November 22, 2004, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position in the Company</u>
Irina V. Roytman	39	Vice President and Worldwide Coordinator
Prof. Efim Ya. Lyublinski	67	Vice President and Director of Applications Engineering
Dr. Yelena L. Shanina	56	Vice President and Director of Technical Coordination
Gerhard Hahn	60	Vice President of European Strategy
Ronnie Do A Singh	37	Vice President of International Technical Service

Ms. Irina V. Roytman has been employed by the Company since September 1994 serving in a variety of capacities in the area of international business development. She has been Vice President and Worldwide Coordinator since July 2000 and was in various administrative functions with the Company from 1997 to 2000. Ms. Roytman holds B.S. in engineering from the Technical University of St. Petersburg in Russia.

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Prof. Efim Ya. Lyublinski has been employed by the Company since March 2000 in the position of Vice President, Director of New Technologies and Applications Engineering. Prof. Lyublinski is a Member of the Russian Academy of Natural Sciences and NACE International the Corrosion Society. From 1984 to 1999 Prof. Lyublinski was Head of Laboratory of Complex Methods of Corrosion Protection at the Central Research Institute of Structural Materials (“Prometey”), St. Petersburg, Russia. Prof. Lyublinski also held a Senior Consulting Position with Osmos Technology, Boston, Massachusetts from 1995 to 1999. Prof. Lyublinski holds 18 patents, is responsible for 64 inventions and has authored 14 books, 148 articles and lectured at more than 100 symposiums, conferences and congresses in the areas of materials science and corrosion. Prof. Lyublinski received the following Awards: in 1997, gold medal of the International Exhibition of Patents in Brussels (Belgium). From 1975 to 1986—three gold, three silver and one bronze medal from the Exhibitions of the Achievements of Russian National Economy.

Dr. Yelena L. Shanina has been employed by the Company since April 2002 in the position of Vice President and Director of Technical Coordination. Dr. Shanina is a graduate of Moscow State University, Chemical Faculty specializing in chemical kinetics. After graduating, Dr. Shanina worked as a senior researcher of the Institute of Biochemical Physics of the Russian Academy of Sciences. Dr. Shanina has authored more than 30 articles in her field. From 1998 until April 2002 Dr. Shanina also was responsible for applications engineering for NTIC’s Joint Venture in the Russian Federation, Mostnic, providing hands-on technical support to Mostnic’s customers with respect to the chemistry and proper use of the NTIC industrial packaging formulations developed within the Russian Federation, both at our Excor Technical Center in Dresden, Germany, and stemming from the United States and Japan.

Mr. Gerhard Hahn serves as Vice President of European Strategy, a position he has held since 2004. Mr. Hahn has been employed as General Manager by Knuppel KG, a German packaging firm, since 1966. Mr. Hahn has also been employed by Excor Korrosionsschutz-Technologien and Produkte GmbH (the Company’s German joint venture) since 1991.

Mr. Ronnie Do A Singh serves as Vice President of International Technical Service, a position he has held since September 1, 2004. Mr. Singh has been, a Brazilian citizen, has been an employee of the Company since February 2001. Prior joining the Company, Mr. Singh held positions in sales management for Nortap Inibidores de Corrosão Ltda. and NTI-Brazil Ltda. in São Paulo, Brazil. In 1999, Mr. Singh was named Sales Manager at NTI-Brazil, where he currently serves as a joint-venture partner. He has been Vice President and Technical Support Director since September 2004. Mr. Ronnie Singh holds a degree in Engineering, with a specialty in mechanical, from the University of São Paulo (Brazil), a specialization in Industrial Administration from Fundação Vanzoline at University of São Paulo (Brazil), and a M.B.A. at Case Western Reserve University, Weatherhead School of Business.

## PART II

### Item 5. MARKET FOR THE REGISTRANT’S COMMON STOCK, RELATED STOCKHOLDER MATTERS AND REGISTRANT PURCHASES OF EQUITY SECURITIES

#### Market Information

Effective September 10, 1993, the Company’s common stock commenced trading on, and continues to trade on, the American Stock Exchange under the symbol NTI. The following table sets forth the high and low sales prices for the Company’s common stock, as reported by the American Stock Exchange, for the fiscal quarters indicated:

	High	Low
<b>2004:</b>		
Fourth fiscal quarter	\$5.35	\$4.50
Third fiscal quarter	5.75	4.45
Second fiscal quarter	5.90	4.80
First fiscal quarter	5.68	4.80
<b>2003:</b>		
Fourth fiscal quarter	\$5.80	\$4.65
Third fiscal quarter	6.46	3.32
Second fiscal quarter	4.35	3.20
First fiscal quarter	3.45	2.95

#### Dividends

The Company declared common stock cash dividends to shareholders of record on the dates as follows:

	Dividend per Share
December 4, 2002	\$0.085
December 3, 2003	\$0.050
December 3, 2004	\$0.070

The Company’s Board of Directors will continue to consider the payment of dividends annually, based on the Company’s net income and operating cash requirements.

#### Number of Record Holders

As of August 31, 2004, there are approximately 340 record holders of the Company’s common stock.

## Purchases of Equity Securities

There were no purchases of Company common stock by the Company during fourth quarter of fiscal 2004.

## Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### Overview

The Company manufactures, markets and sells primarily rust and corrosion protection products and custom packaging systems for avionics, automotive, electronics, electrical, mechanical and military applications, sold under the brand name ZERUST® and Excor. The Company also offers direct, on-site technical support on rust and corrosion issues. In North America, the Company markets its technical service and Zerust® products principally to industrial users by a direct sales force and through a network of distributors and sales representatives. The Company's technical service representatives work directly with the end users of the Company's products to analyze their specific needs and develop systems to meet their technical requirements.

The Company participates, either directly or indirectly through holding companies, in 29 corporate joint venture arrangements in Asia, Europe and South America. Each of these joint ventures manufactures, markets and sells finished products generally in the country in which it is located. The Company's joint venture arrangements

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allow the Company to market and sell its products internationally through the marketing efforts of its joint venture partners without the Company having to develop its own international sales force. The Company's joint venture partners are knowledgeable in the applicable environmental, labor, tax and other requisite regulations and laws of the respective foreign countries in which they operate, as well as the local customs and business practices, and have a vested interest in making each joint venture a success. While most of the Company's joint ventures sell rust and corrosion protection products and custom packaging systems, some of the joint ventures manufacture, market and sell bio-based additives with both industrial and personal care applications and electronic sensing instruments.

The Company's North American net sales increased 30.7% during fiscal 2004 as compared to fiscal 2003 primarily as a result of an increase in volume of rust and corrosion protection products and custom packaging systems sold to new and existing customers in North America. The increase in demand was due to an increased allocation of resources dedicated to the sales efforts and an upturn in the industrial sector that the Company serves. Although cost of sales as a percentage of net sales increased to 48.4% in fiscal 2004 as compared to 47.5% in fiscal 2003, each of the Company's selling expenses, general and administrative expenses and lab and technical support expenses as a percentage of the Company's net sales decreased in fiscal 2004 as compared to fiscal 2003.

Total net sales of all of the Company's joint ventures increased 27% to \$47,148,266 during fiscal 2004 as compared to \$37,233,712 during fiscal 2003. The Company receives fees for technical and other support services to its joint ventures based on the revenues of the individual joint ventures. The Company recognized increased fee income for such technical and support services in fiscal 2004 as compared to fiscal 2003 as a result of the increase in total revenues from the joint ventures. The Company incurs direct expenses related to its corporate joint ventures and holding companies. Such expenses including consulting, travel, technical and marketing services to existing joint ventures, legal fees incurred in the establishment of new joint ventures, registration and promotion and legal defense of worldwide trademarks, and legal fees incurred in the filing of patent applications. The Company incurred increased direct joint venture expenses in fiscal 2004 as compared to fiscal 2003 primarily as a result of increases in management and coordinator salaries, legal expenses and external consulting services.

The Company balance sheet remains strong. The Company's working capital was \$3,492,738 at August 31, 2004, including \$497,487 in cash and cash equivalents. The Company entered into a \$500,000 revolving credit facility in August 2004, but did not have any outstanding debt under this facility or otherwise as of August 31, 2004. The Company has paid a cash dividend to shareholders for 14 of the last 15 years. The Company expects to meet future liquidity requirements by using its existing cash and cash equivalents combined with cash flows from future operations and distributions of earnings and technical assistance fees to the Company from its joint venture investments.

### Results of Operations

#### *Fiscal Year 2004 Compared to Fiscal Year 2003*

The following table sets forth our results of operations for fiscal 2004 and fiscal 2003.

	<u>Fiscal 2004</u>	<u>% of Net Sales</u>	<u>Fiscal 2003</u>	<u>% of Net Sales</u>	<u>\$ Change</u>	<u>% Change</u>
Net sales	\$10,915,676	100.0%	\$8,353,875	100.0%	\$2,561,801	30.7%
Cost of sales	\$ 5,280,420	48.4%	\$3,970,073	47.5%	\$1,310,347	33.0%
Selling expenses	\$ 2,096,543	19.2%	\$1,825,970	21.9%	\$ 270,572	14.8%
General and administrative expenses	\$ 2,459,503	22.5%	\$2,327,684	27.9%	\$ 131,819	5.7%
Lab and technical support expenses	\$ 663,346	6.1%	\$ 897,920	10.8%	\$ 234,574	26.1%

*Net Sales and Cost of Sales.* The Company's net sales originating in the United States increased during fiscal 2004 as compared to fiscal 2003 primarily as a result of an increase in the volume of materials science based industrial packaging products sold to new and existing customers in North America. The increase in demand was due to an increased allocation of resources dedicated to the sales efforts and an upturn in the industrial sector that the Company serves.

Cost of sales increased as a percentage of net sales in fiscal 2004 as compared to fiscal 2003 primarily as a result of an increase in the market price for certain raw materials used in the Company's products.

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**Selling Expenses.** The Company's selling expenses increased during fiscal 2004 as compared to fiscal 2003 primarily as a result of a combination of increases in salaries and commissions to salespeople and commissions and retainers to manufacturer's representatives totaling \$410,000 and marketing expense of \$23,000, which were partially offset by decreases in travel and entertainment related expenses for sales personnel of approximately \$56,000 and decreases in administrative expenses of \$105,000. Selling expenses as a percentage of net sales decreased in fiscal 2004 as compared to fiscal 2003 primarily as a result of the increase in net sales.

**General and Administrative Expenses.** The Company's general and administrative expenses increased during fiscal 2004 as compared to fiscal 2003 primarily as a result of increases in salaries of \$100,000, auditing and tax fees of \$42,000 and administrative expenses of \$98,000, offset by decreases in legal fees of \$173,000. As a percentage of net sales, general and administrative expenses decreased as compared to fiscal 2003 primarily as a result of the increase in sales.

**Lab and Technical Support Expenses.** The Company's lab and technical support expenses decreased during fiscal 2004 as compared to fiscal 2003 primarily as a result of decreases in salary expense and technical consulting expense totaling \$287,000 and \$130,000, respectively. This is due to a number of employees being realigned from lab and technical support to corporate joint venture support. These decreases are partially offset by increases in lab supplies of \$45,000, travel of \$90,000 and \$30,000 in depreciation and amortization. As a percentage of net sales, lab and technical support expenses decreased in fiscal 2004 as compared to fiscal 2003 primarily as a result of the increase in net sales.

**International Corporate Joint Ventures and Holding Companies.** The Company continues its business program of establishing corporate joint venture arrangements in international markets directly, or indirectly through NTI ASEAN, LLC ("NTI ASEAN"). The Company maintains a 50% ownership interest in NTI ASEAN, with the remaining 50% ownership interest owned by Taiyo Petroleum Gas Co. Ltd., which also owns the other 50% ownership interest in the Company's corporate joint venture located in Japan.

The Company and/or an existing corporate joint venture manufactures and supplies proprietary ingredients, which make the finished products functional and enable manufacturing of the finished products to take place in the foreign countries. The Company's corporate joint ventures then market the finished products in their respective territories, and the Company's corporate joint ventures' profits are shared by the respective corporate joint venture shareholders in accordance with their respective ownership percentages of the joint venture entity.

The Company's corporate joint venture net sales were as follows:

	2004	2003
Industrial chemical	\$45,690,830	\$35,735,831
Non-industrial chemical	1,118,133	1,245,373
Business consulting	339,303	252,508
Total	<u>\$47,148,266</u>	<u>\$37,233,712</u>

The Company receives fees for technical and other support to the Company's corporate joint ventures based on the revenues of the individual corporate joint ventures. The Company recognized fee income for such support in the amounts of \$3,621,353 and \$2,601,634 for fiscal 2004 and fiscal 2003, respectively. The increase in fees for technical and other support to its corporate joint ventures was due to the significant increase in revenues from the corporate joint ventures as a whole.

The Company 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. The Company defers a portion of its royalty income received from its corporate joint ventures in each accounting period leading up to the next conference, reflecting that the Company has not fully earned the royalty payments received during that period. The next corporate joint venture conference is scheduled to be held in September 2005. There was \$216,275 of deferred royalty income recorded within other accrued liabilities at August 31, 2004, related to this conference. The deferred income is expected to be completely recognized as income in fiscal 2005 as expenses are incurred when the conference is held. Expenses incurred in fiscal 2004 were \$130,000 related to the conference in fiscal 2005. The costs associated with these joint venture conferences are recognized as incurred, generally in the period in which the conference is held and immediately before.

The Company incurred direct expenses related to its corporate joint ventures and the holding companies of \$4,038,678 in fiscal 2004 and \$2,551,730 in fiscal 2003. These expenses include: consulting, travel, technical and marketing services to existing joint ventures, legal fees regarding the establishment of new joint ventures, registration and promotion and legal defense of worldwide trademarks and legal fees incurred in the filing of patent applications for new technologies to which the Company acquired certain rights. Increases in fiscal 2004 compared to 2003 are attributable to increases in management and coordinator salaries of \$1,006,000, legal expense of \$297,000 and external consulting services of \$137,000.

**Interest Income.** The Company's interest income decreased to \$63,734 in fiscal 2004 from \$101,497 in fiscal 2003 primarily as a result of lower average cash balances.

**Income Before Income Taxes.** Income before income taxes increased \$802,588 to \$1,225,315 in fiscal 2004, compared to the income before income taxes of \$422,727 in fiscal 2003, a net increase of 189.9%.

**Income Taxes.** The Company's effective income tax expense rate was a tax expense of 15.8% of pre-tax net income for fiscal 2004 compared to a tax benefit of 20.1% for fiscal year 2003. The Company's annual effective income tax rate for fiscal 2003 and fiscal 2004 was lower than the statutory rate primarily due to the Company's equity in income of its corporate joint ventures and holding companies being recognized based on after-tax earnings of these entities. Foreign earnings are taxed based at an effective rate ranging from no tax withheld to 22% on a country by country basis. To the extent joint ventures' undistributed earnings are distributed to the Company, it does not result in any material additional income tax liability after the application of foreign tax credits.

	Fiscal 2003	% of Net Sales	Fiscal 2002	% of Net Sales	\$ Change	% Change
Net sales	\$8,353,875	100.0%	\$7,594,383	100.0%	\$759,492	10.0%
Cost of sales	\$3,970,073	47.5%	\$3,589,172	47.3%	\$380,901	10.7%
Selling expenses	\$1,825,970	21.9%	\$1,467,527	19.3%	\$358,443	24.4%
General and administrative expenses	\$2,327,684	27.9%	\$1,965,657	25.9%	\$362,027	18.4%
Lab and technical support expenses	\$ 897,920	10.8%	\$ 805,796	10.6%	\$ 92,124	11.4%

*Net Sales and Cost of Sales.* The Company's net sales originating in the United States increased during fiscal 2003 as compared to fiscal 2002 primarily as a result of an increase in the volume of products sold to new and existing customers in North America. The increase in demand was due to an increased allocation of resources dedicated to the sales efforts and an upturn in the industrial sector that the Company serves. One customer accounted for approximately 13% and 12% of net sales and \$219,054 and \$106,997 of receivables for fiscal 2003 and fiscal 2002, respectively.

Cost of sales increased as a percentage of net sales to 47.5% in fiscal 2003 from 47.3% in fiscal 2002. The increase in the cost of net sales percentage was attributable to the increase in the market price for certain raw materials used in the Company's products.

*Selling Expenses.* The Company's selling expenses increased during fiscal 2003 as compared to fiscal 2002 primarily as a result of a combination of increases in salaries and commissions to salespeople and commissions and retainers to manufacturer's representatives totaling \$279,000 and travel and entertainment related expenses for sales personnel of approximately \$90,000, which were partially offset by decreases in sales consulting of approximately \$136,000. Selling expenses as a percentage of net sales increased in fiscal 2003 as compared to fiscal 2002 primarily as a result of the increased expenditures to build a sales network in North America.

*General and Administrative Expenses.* The Company's general and administrative expenses increased during fiscal 2003 as compared to fiscal 2002 primarily as a result of increases in salaries of \$292,000, legal and court costs of \$37,000, education expense of \$41,000, directors expenses of \$30,000 and group insurance of \$29,000, offset by decreases in depreciation expense of \$34,000 and general office expense of \$39,000. As a percentage of net sales, general and administrative expenses increased in fiscal 2003 as compared to fiscal 2002 primarily as a result of the increased administrative expenses associated with building a sales network in North America.

*Research, Engineering, and Technical Support Expenses.* The Company's research, engineering, and technical support expenses increased during fiscal 2003 as compared to fiscal 2002 primarily as a result of an increase of

approximately \$70,000 in salary expense related to hiring additional people in technical support and an increase of approximately \$19,000 related to depreciation expense. As a result of the Company's international research and development activities, certain proprietary rights to new technology have been added to the Company. As a percentage of net sales, research, engineering and technical support expenses increased in fiscal 2003 as compared to fiscal 2002 due to the increased level of spending.

*International Corporate Joint Ventures and Holding Companies.* The Company continues its business program of establishing corporate joint venture arrangements in international markets directly, or indirectly through NTI ASEAN, LLC. The Company maintains a 50% ownership interest in NTI ASEAN, with the remaining 50% ownership interest owned by Taiyo Petroleum Gas Co. Ltd., which also owns the other 50% ownership interest in the Company's corporate joint venture located in Japan.

The Company and/or an existing corporate joint venture manufactures and supplies proprietary ingredients, which make the finished products functional and enable manufacturing of the finished products to take place in the foreign countries. The corporate joint ventures then market the finished products in their respective territories, and the corporate joint ventures' profits are shared by the respective corporate joint venture shareholders in accordance with ownership percentages of the joint venture entity.

The Company's corporate joint venture net sales were as follows:

	2003	2002
Industrial chemical	\$35,735,831	\$27,004,271
Non-industrial chemical	1,245,373	1,023,343
Business consulting	252,508	256,769
Total	<u>\$37,233,712</u>	<u>\$28,284,383</u>

The Company receives fees for technical and other support to its corporate joint ventures based on the revenues of the individual corporate joint ventures. The Company recognized fee income for such support in the amounts of \$2,601,634 and \$2,131,513 for fiscal 2003 and fiscal 2002, respectively. The increase in fees for technical and other support to the Company's corporate joint ventures was due to the increase in revenues from its corporate joint ventures as a whole.

The Company sponsors a worldwide corporate joint venture conference every three years in which all of its corporate joint ventures are invited to participate. The Company defers a portion of its royalty income received from its corporate joint ventures in each period leading up to the next conference, reflecting that the Company has not fully earned the royalty payments received during that period. The next corporate joint venture conference is scheduled to be held in 2004 and there was \$225,000 and \$103,200 of deferred royalty income recorded within other accrued liabilities at August 31, 2003 and 2002, respectively, related to this conference. The deferred income is expected to be recognized in fiscal 2005 when the conference is held. The costs associated with these joint venture conferences are recognized as incurred, generally in the period in which the conference is held.

The Company incurred direct expenses related to its corporate joint ventures and holding companies of \$2,551,730 and \$1,585,931 in fiscal 2003 and fiscal 2002, respectively. These expenses include: consulting, technical and marketing services to existing joint ventures, legal fees regarding the establishment of new joint ventures, registration and promotion and legal defense of worldwide trademarks and legal fees incurred in the filing of patent applications for new technologies to which the Company acquired certain rights.

The Company also had an investment in a European holding company, which was never utilized to invest in a company in Germany as originally intended. In fiscal 2002, the majority of the investment was returned to the original investors. In fiscal 2003, the remaining investment was converted into a new European joint venture in Holland.

*Interest Income.* The Company's interest income increased to \$101,497 in fiscal 2003 from \$90,310 in fiscal 2002 primarily as a result of higher average cash balances.

*Income Before Income Taxes.* Income before income taxes decreased \$989,449 to \$422,727 in fiscal 2003, compared to the income before income taxes of \$1,412,176 in fiscal 2002, a net decrease of 70.1%.

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*Income Taxes.* The Company's effective income tax expense rate was 13.1% for fiscal 2002 and was a tax benefit of 20.1% of pre-tax net income for fiscal 2003. The Company's annual effective income tax rate for fiscal 2002 and fiscal 2003 was lower than the statutory rate primarily due to the Company's equity in income of its corporate joint ventures and holding companies being recognized based on after-tax earnings of these entities. To the extent joint ventures' undistributed earnings are distributed to the Company, it does not 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.* At August 31, 2004, the Company's working capital was \$3,492,738, including \$497,487 in cash and cash equivalents, compared to working capital of \$4,760,183, including \$283,326 in cash and cash equivalents and \$1,643,939 in investments available for sale as of August 31, 2003. The investments available for sale were fully utilized during the fiscal year to make investments in and loans to various corporate joint ventures.

In August 2004, the Company obtained a \$500,000 revolving credit facility with National City Bank, which expires on December 31, 2005. Outstanding amounts under the revolving credit facility bear interest at an annual rate based on LIBOR plus 2.25%. Amounts borrowed under the facility are secured by a lien on substantially all of the Company's assets, excluding its corporate joint venture interests and intellectual property rights. No amounts were borrowed under this facility as of August 31, 2004. Significant financial covenants in the credit agreement include minimum fixed charge coverage of 1.0 to 1.0.

The Company expects to meet future liquidity requirements by utilizing its existing cash and cash equivalents combined with cash flows from future operations and distributions of earnings and technical assistance fees to the Company from its corporate joint venture investments.

*Uses of Cash and Cash Flows.* Cash flows provided by (used in) operations for the fiscal year ended August 31, 2004 and August 31, 2003 were \$32,013 and (\$1,347,902), respectively. The net cash provided by operations for the fiscal year ended August 31, 2004 resulted principally from net income being partially offset by the noncash equity income of industrial chemical joint ventures, and uses of cash for increases in operating assets more than offsetting net increases in operating liabilities. During the fiscal year ended August 2003, the Company made a \$445,469 deposit relating to a legal case involving potential trademark infringement against a competitor in Europe. The Company expects that the amount will be fully recoverable at the conclusion of the prosecution of the competitor. The net cash used in operations for the fiscal year ended August 31, 2003 resulted principally from net income and dividends received from corporate joint ventures being more than offset by the noncash equity income of industrial chemical joint ventures and uses of cash for increases in operating assets and reductions of operating liabilities.

Net cash provided by investing activities for the fiscal year ended August 31, 2004 was \$565,502, which resulted from the sales of investments offset by investments in corporate joint ventures and additions to property and equipment and industrial patents. Net cash provided by investing activities for the fiscal year ended August 31, 2003 was \$1,774,282, which resulted from the sale of investments and from the partial return of the Company's original investment in holding companies partially offset by investments in international joint ventures, additions to patents and additions to property and equipment.

Net cash used in financing activities for the fiscal year ended August 31, 2004 was \$383,354, which resulted primarily from the payment of dividends to shareholders and the repurchase of common stock. Net cash used in financing activities for the fiscal year ended August 31, 2003 was \$373,328, which resulted from the repurchase of common stock and the payment of dividends to shareholders.

*Capital Expenditures and Commitments.* The Company has no material capital lease commitments as of August 31, 2004; however, the Company's subsidiary has entered into a 15-year lease agreement for approximately 16,994 square feet of office, manufacturing, laboratory and warehouse space requiring monthly payments of \$17,500.53 which are adjusted annually according to the annual consumer price index through November 2014. The Company has no material commitments for capital expenditures. The Company has no postretirement benefit plan and does not anticipate establishing any postretirement benefit program.

*Off-Balance Sheet Arrangements.* The Company does not have relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would

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have been established for the purpose of facilitating off-balance-sheet financial arrangements. As such, the Company is not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such arrangements.

In fiscal 1999, a subsidiary of the Company, 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. The Company has guaranteed up to \$329,082 of the Omni-Northern Ltd.'s \$1,970,552 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 have historically has had little effect on the Company. The Company's business is not historically seasonal.

*Market Risk.* The Company is exposed to some market risk stemming from changes in foreign currency exchange rates, commodity prices and interest rates. The Company is exposed to foreign currency exchange rate risk arising from its investments in its foreign corporate joint ventures and holding companies since the Company's fees for technical support and other services and dividend distributions from these foreign entities are paid in foreign currencies. The Company's principal exchange rate exposure is with the Euro, the Japanese yen, Korean won and the English pound against the U.S. dollar. The Company does not hedge against its foreign currency exchange rate risk. Since the Company'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 the equity in income of joint ventures and holding companies reflected in the consolidated statement of income. Some raw materials used in the Company's products are exposed to commodity price changes. The primary commodity price exposures are with a variety of plastic resins. Although the Company's revolving credit facility bears interest at a rate based on LIBOR and thus may subject the Company to some market risk on interest rates, no amounts were outstanding under this facility as of August 31, 2004.

## Critical Accounting Policies

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make not only estimates and judgments that affect the reported amounts of assets and liabilities and expenses, but also related disclosures. The Company bases the estimates on historical experience, knowledge of economic and market factors and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ materially from these estimates if the assumptions or conditions turn out to be incorrect. The Company believes the following critical accounting policies are affected by significant estimates, assumptions and judgments used in the preparation of its consolidated financial statements.

The consolidated financial statements include accounts of the Company and its wholly owned subsidiary. All significant intercompany transactions have been eliminated.

*Sales Originating in North America* — The Company considers sales originating in North America to be all sales shipped/invoiced from the Company's facilities located in Minnesota and Ohio. There are no sales from the Company's corporate joint ventures included in the Company's net sales, as the Company's investments in its corporate joint ventures are accounted for using the equity method.

*Cash and Cash Equivalents* — The Company includes as cash and cash equivalents highly liquid, short-term investments with maturity of three months or less when purchased, which are readily convertible into known amounts of cash. The Company maintains its cash in high quality financial institutions. The balances, at times, may exceed federally insured limits.

*Investments Available for Sale* — The Company accounts for securities available for sale in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). SFAS No. 115 requires that available-for-sale securities be carried at fair value, with unrealized gains and losses reported as other comprehensive income within stockholders' equity, net of applicable income taxes. Realized gains and losses and declines in value deemed to be other-than-temporary on available-for-sale securities are included in other income. Fair value of the securities is based upon the quoted market price on the last business day of the quarter

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or fiscal year. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis. At August 31, 2004, the Company had no available-for-sale securities.

*Accounts Receivable* — The Company reviews customers' credit history before extending unsecured credit and establishes 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. The Company does not accrue interest on past due accounts receivable. If accounts receivable in excess of the provided allowance are determined uncollectible, they are charged to expense in the year that determination is made. Accounts receivable have been reduced by an allowance for uncollectible accounts of \$11,563 at both August 31, 2004 and 2003.

*Inventories* — Inventories are recorded at the lower of cost (first-in, first-out basis) or market.

*Property and Depreciation* — Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated service lives of the various assets as follows:

Buildings and improvements	5-20 years
Machinery and equipment	3-10 years

*Investments in Corporate Joint Ventures* — Investments in the Company's corporate joint ventures are accounted for using the equity method. Intercompany profits on inventories held by the Company's corporate joint ventures that were purchased from the Company have been eliminated based on the Company's ownership percentage in each corporate joint venture.

*Recoverability of Long-Lived Assets* — The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. The Company determines potential impairment by comparing the carrying value of the assets with expected net cash flows expected to be provided by operating activities of the business or related products. Should the sum of the expected undiscounted future net cash flows be less than

the carrying value, the Company would determine whether an impairment loss should be recognized. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the asset. As of August 31, 2004, the Company did not consider any of its assets impaired.

*Principles of Consolidation* — The consolidated financial statements include the accounts of Northern Technologies International Corporation and its wholly owned subsidiary, NTI Facilities, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

*Income Taxes* — The Company utilizes the liability method of accounting for income taxes as set forth in Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

*Foreign Currency Translation (Accumulated Other Comprehensive Income (Loss))* — The functional currency of each international corporate joint venture is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average monthly exchange rate. Translation gains or losses are reported as an element of accumulated other comprehensive income (loss).

*Revenue Recognition* — In recognizing revenue, the Company applies the provisions of the Securities and Exchange Commission Staff Accounting Bulletin 101, Revenue Recognition. The Company recognizes revenue from the sale of its products when persuasive evidence of an arrangement exists, the product has been delivered,

the fee is fixed and determinable and collection of the resulting receivable is reasonably assured. A portion of the gross profit on products shipped to the Company's corporate joint ventures is deferred until such products are sold by the corporate joint ventures.

*Shipping and Handling* — The Company records all amounts billed to customers in a sales transaction related to shipping and handling as sales. The Company records costs related to shipping and handling in cost of goods sold.

*Research and Development* — The Company expenses all costs related to product research and development as incurred. The Company spent \$1,670,014 in fiscal 2004 and \$897,920 in fiscal 2003 in connection with its research and development activities.

#### Recently Issued Accounting Pronouncements

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51. In December 2003, the FASB issued FIN 46R, Consolidation of Variable Interest Entities, a revision of FIN 46 which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. The provisions of FIN 46R are effective for interests in variable interest entities (VIE) as of the first interim, or annual, period ending after December 15, 2004 except for VIEs considered special-purpose entities in which the effective date is for periods ending after December 15, 2003. The Company is in the process of evaluating the impact this will have on its consolidated financial statements as the Company does not have any special-purpose entities.

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. This Statement requires that certain financial instruments previously accounted for as equity under previous guidance be classified as liabilities in statements of financial position. SFAS No. 150 became effective for all financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have an impact on the Company's results of operations or financial position.

#### Item 7. FINANCIAL STATEMENTS.

##### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following items are included herein:

<u>Financial Statements:</u>	<u>Page</u>
Report of Independent Registered Public Accounting Firm	20
Prior Year Report of Independent Registered Public Accounting Firm	21
Consolidated Balance Sheets as of August 31, 2004 and 2003	22
Consolidated Statements of Income for the years ended August 31, 2004, 2003 and 2002	23
Consolidated Statements of Stockholders' Equity for the years ended August 31, 2004, 2003 and 2002	24
Consolidated Statements of Cash Flows for the years ended August 31, 2004, 2003 and 2002	25
Notes to Consolidated Financial Statements	26-36

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Audit Committee, Stockholders and Board of Directors of  
Northern Technologies International Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheet of Northern Technologies International Corporation and Subsidiaries (the "Company") as of August 31, 2004 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year ended August 31, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company at August 31, 2004, and the results of their operations and their cash flows for the year ended August 31, 2004, in conformity with the accounting principles generally accepted in the United States of America.

/s/ Virchow, Krause & Company, LLP  
Minneapolis, Minnesota  
October 29, 2004

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholders and Board of Directors  
Northern Technologies International Corporation  
Lino Lakes, Minnesota

We have audited the accompanying consolidated balance sheet of Northern Technologies International Corporation and Subsidiaries (the Company) as of August 31, 2003 and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended August 31, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Northern Technologies International Corporation and Subsidiaries at August 31, 2003 and the results of their operations and their cash flows for the years ended August 31, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP  
Minneapolis, Minnesota  
December 11, 2003

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
AUGUST 31, 2004 AND 2003**

	August 31, 2004	August 31, 2003
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 497,487	\$ 283,326
Investments, available-for-sale	—	1,643,939
<b>Receivables:</b>		
Trade excluding corporate joint ventures, less allowance for doubtful accounts of \$11,563 at August 31, 2004	1,422,421	1,278,173

and 2003		
Trade corporate joint ventures	459,213	292,938
Technical and other services, corporate joint ventures	1,233,563	765,679
Income taxes	362,172	531,088
Inventories	1,072,440	971,499
Prepaid expenses	113,454	125,542
Deferred income taxes	276,000	12,000
Total current assets	5,436,750	5,904,184
PROPERTY AND EQUIPMENT, net	733,139	526,738
OTHER ASSETS:		
Investments in corporate joint ventures:		
Industrial chemical	7,292,930	5,920,644
Industrial non-chemical	284,592	232,277
Deferred income taxes	354,000	343,000
Notes receivable and foreign deposit	1,814,817	1,177,847
Note from employee	107,331	126,043
Industrial patents, net	588,631	317,166
Other	83,902	198,777
	10,526,203	8,315,754
	<u>\$16,696,092</u>	<u>\$14,746,676</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 658,707	\$ 538,520
Accrued liabilities:		
Payroll and related benefits	861,711	165,326
Deferred joint venture royalties	216,275	225,175
Other	207,319	214,980
Total current liabilities	1,944,012	1,144,001
DEFERRED GROSS PROFIT	30,000	25,000
COMMITMENTS AND CONTINGENCIES	—	—
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, authorized 10,000 shares, none issued	—	—
Common stock, \$0.02 par value per share; authorized 10,000,000 shares; issued and outstanding 3,581,992 and 3,626,192, respectively	71,640	72,524
Additional paid-in capital	4,105,584	4,191,964
Retained earnings	10,233,967	9,493,742
Accumulated other comprehensive income (loss)	310,889	(180,555)
Total stockholders' equity	14,722,080	13,577,675
	<u>\$16,696,092</u>	<u>\$14,746,676</u>

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED AUGUST 31, 2004, 2003 AND 2002**

	2004	2003	2002
<b>NORTH AMERICAN OPERATIONS:</b>			
Sales	\$10,915,676	\$ 8,353,875	\$ 7,594,383
Cost of goods sold	5,280,420	3,970,073	3,589,172
Gross profit	5,635,256	4,383,802	4,005,211
Operating expenses:			
Selling	2,096,543	1,825,970	1,467,527
General and administrative	2,459,503	2,327,684	1,965,657
Lab and technical support	663,346	897,920	805,796
	5,219,392	5,051,574	4,238,980
NORTH AMERICAN OPERATING INCOME (LOSS)	415,864	(667,772)	(233,769)
<b>CORPORATE JOINT VENTURES AND HOLDING COMPANIES:</b>			
Equity in income of industrial chemical corporate joint ventures and holding companies	1,170,875	1,069,170	1,035,053
Equity in loss of industrial non-chemical corporate joint ventures and holding companies	(1,583)	(105,072)	—
Equity in loss of business consulting corporate joint ventures	(6,250)	(25,000)	(25,000)
Fees for technical support and other services provided to corporate joint ventures	3,621,353	2,601,634	2,131,513

Expenses incurred in support of corporate joint ventures	(4,038,678)	(2,551,730)	(1,585,931)
<b>INCOME (LOSS) FROM ALL CORPORATE JOINT VENTURES AND HOLDING COMPANIES</b>	<b>745,717</b>	<b>989,002</b>	<b>1,555,635</b>
INTEREST INCOME	63,734	101,497	90,310
INCOME BEFORE INCOME TAX (BENEFIT) EXPENSE	1,225,315	422,727	1,412,176
INCOME TAX EXPENSE (BENEFIT)	189,000	(85,000)	185,000
<b>NET INCOME</b>	<b>\$ 1,036,315</b>	<b>\$ 507,727</b>	<b>\$ 1,227,176</b>
<b>NET INCOME PER COMMON SHARE:</b>			
Basic	\$ 0.29	\$ 0.14	\$ 0.34
Diluted	\$ 0.29	\$ 0.14	\$ 0.34
<b>WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:</b>			
Basic	3,610,949	3,632,391	3,665,961
Diluted	3,612,777	3,636,679	3,665,961
<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$ 0.05</b>	<b>\$ 0.085</b>	<b>\$ —</b>

See notes to consolidated financial statements.

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**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
AUGUST 31, 2004, 2003 AND 2002**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Income) Loss	Total Stockholders' Equity
	Shares	Amount				
BALANCE AT AUGUST 31, 2001	3,689,551	\$73,791	\$4,318,682	\$ 8,199,866	\$(727,257)	\$11,865,082
Repurchase of common stock	(45,000)	(900)	(90,000)	(104,784)	—	(195,684)
Comprehensive income, 2002:						
Foreign currency translation adj.		—	—	—	277,657	277,657
Net income		—	—	1,227,176	—	1,227,176
Comprehensive income, 2002						1,504,833
BALANCE AT AUGUST 31, 2002	3,644,551	72,891	4,228,682	9,322,258	(449,600)	13,174,231
Repurchase of common stock	(18,359)	(367)	(36,718)	(27,039)	—	(64,124)
Dividends on common stock — \$ .085 per share		—	—	(309,204)	—	(309,204)
Comprehensive income, 2003:						
Foreign currency translation adj.		—	—	—	269,045	269,045
Net income		—	—	507,727	—	507,727
Comprehensive income, 2003						776,772
BALANCE AT AUGUST 31, 2003	3,626,192	72,524	4,191,964	9,493,742	(180,555)	13,577,675
Repurchase of common stock	(44,200)	(864)	(86,400)	(114,421)	—	(201,685)
Dividends on common stock — \$ .05 per share		—	—	(181,666)	—	(181,666)
Comprehensive income, 2004:						
Foreign currency translation adj.		—	—	—	491,444	491,444
Net income		—	—	1,036,315	—	1,036,315
Comprehensive income, 2004						1,527,759
BALANCE AT AUGUST 31, 2004	3,581,992	\$71,660	\$4,105,564	\$10,233,967	\$ 310,889	\$14,722,080

See notes to consolidated financial statements.

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**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2004, 2003 AND 2002**

	2004	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			

Net income	\$ 1,036,315	\$ 507,727	\$ 1,227,176
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation expense	170,909	184,033	194,329
Amortization expense	29,633	7,537	3,768
Equity in (income) loss from corporate joint ventures:			
Industrial chemical	(1,170,875)	(1,069,169)	(1,060,053)
Industrial non-chemical	1,583	105,072	—
Business consulting	6,250	25,000	25,000
Dividends received from corporate joint ventures	762,889	490,309	453,049
Deferred income taxes	(275,000)	85,000	20,000
Deferred gross profit	5,000	—	—
Deferred joint venture royalties	(8,900)	121,800	103,375
Gain on sale of equipment	(18,100)	(8,605)	(12,032)
Change in current assets and liabilities:			
Receivables:			
Trade excluding corporate joint ventures	(144,248)	(268,499)	(145,355)
Trade corporate joint ventures	(166,275)	(52,971)	(46,458)
Technical and other services receivables, corporate joint ventures	(467,884)	(140,385)	4,522
Income taxes	168,916	(469,163)	86,533
Inventories	(100,941)	(112,271)	54,683
Prepaid expenses and other	12,088	(40,175)	5,518
Notes receivable and foreign deposits	(636,970)	(927,561)	(47,583)
Employee note receivable	18,712	80,430	501
Accounts payable	120,187	46,418	251,993
Income taxes payable	—	—	173,126
Accrued liabilities	688,724	87,571	(219,988)
Net cash provided (used in) by operating activities	32,013	(1,347,902)	1,072,104
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Sale (purchase) of investments available for sale	1,643,939	2,364,478	(4,008,417)
Proceeds from the sale of property and equipment	24,550	8,605	668,314
Investment in joint ventures:			
Industrial chemical	(465,000)	(166,780)	(111,056)
Industrial non-chemical	(61,750)	(63,483)	—
Business consulting	(6,250)	(25,000)	(25,000)
Additions to property and equipment	(383,766)	(300,991)	(193,253)
Partial return of original investment in holding company	—	30,812	178,936
Investment in and note receivable from German corporation	—	—	(260,225)
Decrease (Increase) in other assets	114,875	64,364	(57,020)
Additions to industrial patents	(301,096)	(137,723)	(190,748)
Net cash provided by (used in) investing activities	565,502	1,774,282	(3,884,429)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividend paid to shareholders	(181,666)	(309,204)	—
Repurchase of common stock	(201,688)	(64,124)	(195,684)
Net cash used in financing activities	(383,354)	(373,328)	(195,684)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>214,161</b>	<b>53,052</b>	<b>(3,008,009)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>283,326</b>	<b>230,274</b>	<b>3,238,283</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 497,487</b>	<b>\$ 283,326</b>	<b>\$ 230,274</b>

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED AUGUST 31, 2004, 2003, AND 2002**

**1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

*Sales Originating in North America* — Northern Technologies International Corporation and Subsidiaries (the Company) considers sales originating in North America to be all sales shipped/invoiced from the Company's facilities located in Minnesota and Ohio. There are no sales from the Corporate Joint Ventures included in the amount as the Company's investments in Corporate Joint Ventures are accounted for using the equity method. The Company manufactures, markets and sells primarily rust and corrosion protection products and custom packaging systems for avionics, automotive, electronics, electrical, mechanical and military applications, sold under the brand name ZERUST® and Excor.

*Cash and Cash Equivalents* — The Company includes as cash and cash equivalents highly liquid, short-term investments with maturity of three months or less when purchased, which are readily convertible into known amounts of cash. The Company maintains its cash in high quality financial institutions. The

balances, at times, may exceed federally insured limits.

*Investments Available for Sale* — The Company accounts for securities available for sale in accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS No. 115). SFAS No. 115 requires that available-for-sale securities be carried at fair value, with unrealized gains and losses reported as other comprehensive income within stockholders' equity, net of applicable income taxes. Realized gains and losses and declines in value deemed to be other-than-temporary on available-for-sale securities are included in other income. Fair value of the securities is based upon the quoted market price on the last business day of the quarter or fiscal year. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis. At August 31, 2004, the Company did not have any available-for-sale securities.

*Accounts Receivable* — The Company reviews customers' credit history before extending unsecured credit and establishes 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. The Company does not accrue interest on past due accounts receivable. If accounts receivable in excess of the provided allowance are determined uncollectible, they are charged to expense in the year that determination is made. Accounts receivable have been reduced by an allowance for uncollectible accounts of \$11,563 at both August 31, 2004 and 2003.

*Inventories* — Inventories are recorded at the lower of cost (first-in, first-out basis) or market.

*Property and Depreciation* — Property and equipment are stated at cost. Depreciation is computed using the straight-line method based on the estimated service lives of the various assets as follows:

Buildings and improvements	5–20 years
Machinery and equipment	3–10 years

*Investments in Corporate Joint Ventures* — Investments in Corporate Joint Ventures are accounted for using the equity method. Intercompany profits on inventories held by the Corporate Joint Ventures that were purchased from the Company have been eliminated based on the Company's ownership percentage in each corporate joint venture. Periodically, the Company evaluated the investments for any impairment and assesses the future cash flow projections to determine if there are any going concern issues. If an investment is determined to be impaired then an reserve would be created to reflect the impairment on the financial results of the Company.

*Recoverability of Long-Lived Assets* — The Company reviews its long-lived assets whenever events or changes in circumstances indicate the carrying amount of the assets may not be recoverable. The Company determines potential impairment by comparing the carrying value of the assets with expected net cash flows expected to be provided by operating activities of the business or related products. Should the sum of the expected undiscounted future net cash flows be less than the carrying value, the Company would determine whether an impairment loss

should be recognized. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value of the asset. As of August 31, 2004, the Company did not consider any of its assets impaired.

*Principles of Consolidation* — The consolidated financial statements include the accounts of Northern Technologies International Corporation and its wholly owned subsidiary, NTI Facilities, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

*Income Taxes* — The Company utilizes the liability method of accounting for income taxes as set forth in Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

*Foreign Currency Translation (Accumulated Other Comprehensive Income (Loss))* — The functional currency of each international corporate joint venture is the applicable local currency. The translation of the applicable foreign currencies into U.S. dollars is performed for balance sheet accounts using current exchange rates in effect at the balance sheet date and for revenue and expense accounts using an average monthly exchange rate. Translation gains or losses are reported as an element of accumulated other comprehensive income (loss).

*Revenue Recognition* — In recognizing revenue, the Company applies the provisions of the Securities and Exchange Commission Staff Accounting Bulletin 101, Revenue Recognition. The Company recognizes revenue from the sale of its products when persuasive evidence of an arrangement exists, the product has been delivered, the fee is fixed and determinable and collection of the resulting receivable is reasonably assured. A portion of the gross profit on products shipped to the Company's Corporate Joint Ventures is deferred until such products are sold by the Corporate Joint Ventures.

*Shipping and Handling* — The Company records all amounts billed to customers in a sales transaction related to shipping and handling as sales. The Company records costs related to shipping and handling in cost of goods sold.

*Research and Development* — The Company expenses all costs related to product research and development as incurred. The Company spent \$1,670,014 in fiscal 2004 and \$897,920 in fiscal 2003 in connection with its research and development activities.

*Use of Estimates* — The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Stock Based Compensation* — In accordance with Accounting Principles Board (APB) Opinion No. 25 and related interpretations, the Company uses the intrinsic value-based method for measuring stock-based compensation cost which measures compensation cost as the excess, if any, of quoted market price of the Company's common stock at the grant date over the amount the employee must pay for the stock. The Company's general policy is to grant stock options at fair value at the date of grant. The Company did not recognize any expense in the financial statements as they were all issued at fair market value. Options and warrants issued to non-employees are recorded at fair value, as required by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", using the Black Scholes pricing method.

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Compensation cost has been recognized based on the fair values of options at the grant dates consistent with the provisions of SFAS No. 123, the Company's net income (loss) and basic and diluted net income (loss) per common share would have been changed to the following pro forma amounts:

	2004	2003	2002
<b>Net Income (loss):</b>			
As reported	\$1,036,315	\$507,727	\$1,227,176
Pro forma	\$ 995,068	\$466,134	\$1,169,886
<b>Basic net income per common share</b>			
As reported	\$ 0.29	\$ 0.14	\$ 0.34
Pro forma	\$ 0.28	\$ 0.13	\$ 0.32
<b>Diluted net income per share</b>			
As reported	\$ 0.29	\$ 0.14	\$ 0.34
Pro forma	\$ 0.28	\$ 0.13	\$ 0.32
<b>Stock-based compensation, net:</b>			
As reported	\$ 0	\$ 0	\$ 0
Pro forma	\$ 41,247	\$ 41,593	\$ 57,290

As noted above, accounting principles require the Company to show, on a pro forma basis, the Company's net income as if it recorded an expense for stock options at the time of grant. Other than disclosure in this footnote, the Company does not use these pro forma results for any purpose.

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:

	2004	2003	2002
Dividend yield	2.00%	2.00%	2.00%
Expected volatility	44.10%	42.70%	43.90%
Expected life of option	5 years	5 years	5 years
Average risk-free interest rate	3.63%	3.04%	4.37%

In January 2003, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities*, an Interpretation of ARB No. 51. In December 2003, the FASB issued FIN 46R, *Consolidation of Variable Interest Entities*, a revision of FIN 46 which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as "special purpose entities." The provisions of FIN 46R are effective for interests in variable interest entities (VIE) as of the first interim, or annual, period ending after December 15, 2004 except for VIEs considered special-purpose entities. The Company is in the process of evaluating the impact this will have on the consolidated financial statements of the Company.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. This Statement requires that certain financial instruments previously accounted for as equity under previous guidance be classified as liabilities in statements of financial position. SFAS No. 150 became effective for all financial instruments entered into or modified after May 31, 2003 and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have an impact on the Company's consolidated results of operations or financial position.

## 2. INVENTORIES

Inventories at August 31 consist of the following:

	2004	2003
Production materials	\$ 279,039	\$187,828
Finished goods	793,401	783,671
	<u>\$1,072,440</u>	<u>\$971,499</u>

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## 3. PROPERTY AND EQUIPMENT

Property and equipment at August 31 consist of the following:

	2004	2003
Land	\$ 29,097	\$ 29,097
Buildings and improvements	793,389	639,531
Machinery and equipment	1,048,355	831,347
	1,870,841	1,499,975
Less accumulated depreciation	1,137,702	973,237
	<u>\$ 733,139</u>	<u>\$ 526,738</u>

#### 4. INTANGIBLE ASSETS

Intangible assets at August 31 consist of the following:

	2004	2003
Patents	\$629,569	\$328,471
Less accumulated amortization	40,938	11,305
	<u>\$588,631</u>	<u>\$317,166</u>

Patent costs are amortized over seven years once a patent is filed and approved. Amortization expense was \$29,633, \$7,537, and \$3,768 for the years ended August 31, 2004, 2003, and 2002, respectively. Amortization expense is estimated to approximate \$70,000 in each of the next five fiscal years.

#### 5. NOTES AND RECEIVABLES AND FOREIGN DEPOSITS

Notes receivable and foreign deposits at August 31 consist of the following:

	2004	2003
Notes receivable from North American operations	\$ 530,000	\$ 500,000
Notes receivable from industrial chemical corporate Joint venture partners	839,348	232,378
Foreign deposits	445,469	445,469
	<u>\$1,814,817</u>	<u>\$1,177,847</u>

#### 6. INVESTMENTS

*Corporate Joint Ventures* — The corporate joint venture arrangements allow the Company to successfully market and sell its products in foreign countries through the marketing efforts of joint venture partners without the Company having to develop its own international sales force. The Company's corporate joint venture partners are knowledgeable in the applicable environmental, labor, tax and other requisite regulations and laws of the respective foreign countries in which they operate, as well as the local customs and business practices, and have a vested interest in making each joint venture a success.

The Company traditionally enters into corporate joint ventures with a 50% ownership base. This entitles the Company to 50% of the profits and 50% of the voting rights in the various corporate joint ventures. Additionally, some of the corporate joint ventures are owned through holding companies, in which the Company owns 50%. In these cases the holding companies are the acting joint venture partners and have the 50% investment in the joint venture.

The Company participates in various Corporate Joint Ventures in countries around the world. The Industrial Chemical Corporate Joint Ventures provide for the manufacturing, marketing, and distribution of materials science based industrial packaging products, the Non-Industrial Chemical joint ventures engage in manufacturing marketing and distribution outside of the traditional chemical products and the Business Consulting Corporate Joint Ventures provide sales and financing consulting services for a number of multinational industrial customers and financial institutions.

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The Company also has a 50% ownership interest in NTI ASEAN, LLC, which is used as a holding company for its corporate joint venture investments in the ASEAN region. Taiyo Petroleum Gas Co. Ltd., the Company's existing joint venture partner in Japan, owns the remaining 50% ownership interest in NTI ASEAN, LLC.

The Company has a 50% ownership interest in Northern Instruments Corporation LLC for its corporate joint venture investments in Mutec GmbH in Germany. Taiyo Petroleum Gas Co. Ltd., the Company's existing joint venture partner in Japan, owns the remaining 50% ownership interest in Northern Instruments Corporation LLC. Northern Instruments Corporation LLC then owns 80% of Mutec GmbH.

The Company has an ownership interest either directly or indirectly in Corporate Joint Ventures in the following countries:

Joint Venture Name	Country	NTIC Percent (%) Ownership	Date of Original Investment
<b>INDUSTRIAL CHEMICAL CORPORATE JOINT VENTURE</b>			
TAIYONIC LTD.	Japan	50%	1987

ACOBAL SAS	France	50%	1990
ZERUST-NIC CORP.	Taiwan*	25%	1990
EXCOR GmbH	Germany	50%	1991
ST ZERUST (SEA) PTE. LTD	Singapore*	35%	1991
ZERUST AB	Sweden	50%	1991
NTI-ZERUST INIBIDORES DE CORROS fQO VCI LTDA.	Brazil	50%	1993
EUROMASCH	Austria	50%	1994
MOSTNIC	Russia	50%	1994
KOREA ZERUST CO., LTD.	South Korea	25%	1994
ZERUST OY	Finland	50%	1995
ACOR S.R.L.	Italy	50%	1996
ZERUST (U.K.) LTD.	United Kingdom	50%	1997
FATRA-NTI s.r.o.	Czech Republic	50%	1997
EXCOR SP. Z.o.o.	Poland	50%	1998
SPECIALTY - NTIA CO. LTD.	Thailand*	25%	1998
TIANJIN ZERUST CO.	China*	25%	2000
HARITA-NTI	India	50%	2000
CHONG WAH-NTIA SDN. BHD.	Malaysia*	25%	2000
ZERUST PHILIPPINES	Philippines*	50%	2001
FIBRO NTI JOINT STOCK CO.	Turkey	50%	2002
ZERUST CONSUMER PRODUCTS, LLC	United States	50%	2002
ZERUST BV	Holland	50%	2003
NTI NCC MIDDLE EAST SA.	Lebanon	50%	2003
REACT NTI, LLC	United States	75%	2003
POLYMER ENERGY LLC	United States	50%	2003
<b>NON-INDUSTRIAL CHEMICAL CORPORATE JOINT VENTURE</b>			
MUTEC GMBH	Germany**	40%	2002
<b>BUSINESS CONSULTING CORPORATE JOINT VENTURE</b>			
WASHINGTON LIAISON OFFICE	United States	50%	1997
ART AVILES ASSOCIATES	United States	25%	2000

\* Indirect ownership interest through NTI ASEAN, LLC

\*\* Indirect ownership through Northern Instruments Corporation LLC

Fees earned from the Corporate Joint Ventures under licenses and technical and other support agreements were \$3,621,353, \$2,601,634, and \$2,131,513, for the fiscal years ended August 31, 2004, 2003 and 2002, respectively.

The Company sponsors a worldwide Corporate Joint Venture conference every three or four years in which all of its Corporate Joint Ventures are invited to participate. The Company defers a portion of its royalty income received from its Corporate Joint Ventures in each period leading up to the next conference, reflecting that the Company has not fully earned the royalty payments received during that period. The next Joint Venture conference is scheduled to be held in 2005 and there was \$216,275, and \$225,000 of deferred royalty income recorded within other accrued liabilities at August 31, 2004 and 2003, respectively, related to this conference. The deferred income is expected to be recognized in early 2005 when the conference is held. The costs associated with these joint venture conferences are recognized as incurred, generally in the period in which the conference is held.

The Company incurred expenses associated with the performance of its services for its Corporate Joint Ventures of \$4,038,678, \$2,551,730, and \$1,585,931, for the fiscal years ended August 31, 2004, 2003 and 2002, respectively. These expenses were incurred primarily in conjunction with the performance of the technical services to existing Corporate Joint Ventures, research & development, travel, and legal fees related to the development of new 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:

	At August 31	
	2004	2003
Current assets	\$20,110,407	\$19,359,530
Total assets	26,821,960	23,954,072
Current liabilities	8,116,467	8,254,472
Noncurrent liabilities	2,393,543	2,544,017

Joint ventures' equity	16,312,033	13,795,966	
Northern Technologies International Corporation's share of Corporate Joint Ventures' equity	\$ 7,577,522	\$ 6,152,921	
	<b>Years Ended August 31</b>		
	<b>2004</b>	<b>2003</b>	
	<b>2002</b>		
Sales	\$47,148,266	\$37,233,712	\$24,931,945
Gross profit	21,804,123	18,437,864	11,447,114
Net income	2,480,642	1,695,717	2,042,812
Northern Technologies International Corporation's share of equity in income of Corporate Joint Ventures	\$ 1,163,042	\$ 939,098	\$ 1,010,053

During 2004, the Company has invested in several existing Corporate Joint Ventures as follows:

In September 2003 the Company invested an additional \$440,000 in React-NTI LLC, in connection with React-NTI LLC's acquisition of React Inc. React-NTI LLC is an industrial chemical joint venture formed in fiscal 2003 in which the Company now has a 75% ownership interest and has made total capital contributions of \$750,000. Under the terms of the agreement related to React-NTI LLC, there are certain matters requiring unanimous approval of the Company and the minority shareholder. These rights represent substantive participating rights of the minority shareholder as defined in Emerging Issues Task Force (EITF) No. 96-16, *Investor's Accounting for an Investee When the Investor has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights*. Accordingly, the Company does not control React-NTI LLC and will account for its investment under the equity method rather than by consolidation. The Company believes that React-NTI LLC now has sufficient equity to finance its activities without additional subordinated financial support from other parties, and accordingly does not expect to make additional capital contributions or provide financing to React-NTI, LLC. Any future changes to the LLC agreement could result in consolidation of React-NTI LLC in the future.

In October 2003 the Company invested \$6,250 in an existing business consulting corporate joint venture in the United States. The Company has obtained a 25% ownership interest in this company to utilize various government and military associations. As the company has no tangible assets its investment value is \$0.

In January 2004 the Company invested \$20,000 in a new industrial chemical corporate joint venture to develop new operations in Lebanon. The Company has a 50% ownership interest in the new entity. The new entity had no operations prior to the Company's investment. It is anticipated that this is the first installment toward completed capitalization of an estimated \$75,000.

During the second quarter of 2004, through a series of transactions utilizing Northern Instruments Corporation LLC as an investment vehicle, the Company invested \$61,750 to increase its ownership interests in a German GmbH from 30% to 40%.

## 7. CORPORATE DEBT

In August 2004, the Company obtained a \$500,000 revolving credit facility with National City Bank, which expires on December 31, 2005. Outstanding amounts under the revolving credit facility bear interest at an annual rate based on LIBOR plus 2.25%. Amounts borrowed under the facility are secured by a lien on substantially all of the Company's assets, excluding its corporate joint venture interests and intellectual property rights. No amounts were borrowed under this facility as of August 31, 2004. Significant financial covenants in the credit agreement include minimum fixed charge coverage of 1.0 to 1.0.

## 8. STOCKHOLDERS' EQUITY

During fiscal years 2004, 2003, and 2002, the Company acquired and retired 44,200, 18,359, and 45,000 shares of common stock for \$201,685, \$64,124, and \$195,684, respectively.

During fiscal years 2000 and 1994 the Company's Board of Directors and shareholders approved stock option plans (the Plans) providing for the granting of options to purchase 450,000 shares of common stock in total. Under the Plans, incentive stock options and nonqualified stock options could be granted to directors, officers, non-officer employees, and others. The options have a term of five years and become exercisable ratably over a three- or four-year period beginning on the first annual anniversary date of the grant. Options are granted at prices equal to the market value of the stock on the date of grant.

A summary of the status of the Company's stock options for the years ended August 31 is as follows:

	2004		2003		2002	
	Shares	Wgt'd Avg Exer Price	Shares	Wgt'd Avg Exer Price	Shares	Wgt'd Avg Exer Price
Outstanding at beginning of year	118,321	\$5.39	128,896	\$5.84	85,562	\$6.60
Granted	18,000	5.30	18,000	3.34	58,000	4.70
Exercised	—	—	—	—	—	—
Canceled	(20,666)	5.90	(28,575)	6.12	(14,666)	5.73
Outstanding at end of year	115,655	5.29	118,321	5.39	128,896	5.84
Options exercisable at year-end	79,660	\$5.61	65,772	\$6.19	50,015	\$6.81

The following table summarizes information about stock options outstanding and exercisable at August 31, 2004:

<u>Option Grant Date</u>	<u>Exercise Prices</u>	<u>Remaining Contractual Life</u>	<u>Number of Options Outstanding (#)</u>	<u>Number of Options Exercisable (#)</u>
9/17/1999	\$7.00	0.04	28,655	28,655
9/1/2000	\$6.75	1.00	4,000	4,000
2/9/2001	\$5.50	1.44	3,000	3,000
9/1/2001	\$5.00	2.00	12,000	9,336
2/15/2002	\$4.56	2.46	40,000	26,669
9/1/2002	\$3.34	3.00	12,000	4,000
9/1/2003	\$5.30	4.00	16,000	4,000
			115,655	79,660

## 9. SEGMENT INFORMATION

The Company is engaged in the development, manufacturing, and marketing of proprietary materials science based industrial packaging products. The Company's electronic sensing business was terminated in fiscal year 2002. Further disclosure regarding the two businesses is not presented, as management uses the consolidated information to allocate resources and evaluate performance.

Sales by geographic location as a percentage of total sales were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Inside the U.S.A. to unaffiliated customers	64%	70%	74%
Outside the U.S.A. to:			
Corporate Joint Ventures in which the Company is a shareholder directly and indirectly	11	10	8
Unaffiliated customers	25	20	18
	<u>100%</u>	<u>100%</u>	<u>100%</u>

One of the Company's customers accounted for approximately 15% and 13% of the Company's net sales for the fiscal years ended August 31, 2004 and 2003 respectively, and \$119,468 and \$219,054 of the Company's receivables at August 31, 2004 and 2003, respectively.

## 10. RETIREMENT PLAN AND EMPLOYEE STOCK PURCHASE PLAN

The Company has a 401(k) employee savings plan. Employees who meet certain age and service requirements may elect to contribute up to 7% of their salaries. The Company contributes the lesser of 50% of the participant's contributions or 3.5% of the employee's salary. The Company recognized expense for the savings plan of \$67,933, \$56,070, and \$42,000, for the fiscal years ended August 31, 2004, 2003 and 2002, respectively.

The Company has an employee stock purchase plan. Employees who meet certain age and service requirements may elect to contribute a portion of their salary to purchase up to 2000 shares in a fiscal year. Employees receive a 10% discount on the purchase price of the stock and shares can be purchased quarterly. In accordance with APB 25, the employee stock purchase plan qualifies as a non-compensatory plan, and as such, there is no compensation cost required.

## 11. RELATED-PARTY TRANSACTIONS

The Company paid reimbursement for travel and related expenses of \$449,000, \$421,000, and \$240,000, for the fiscal years ended August 31, 2004, 2003, and 2002, respectively, to a financial and management consulting firm, Inter Alia, which beneficially owns 25.1% of the Company's outstanding common stock, and of which the Company's Chief Executive Officer and Chairman of the Board and the Company's President of North American Operations are shareholders. The management consulting firm earned commissions of approximately \$99,239, \$51,882, and \$66,420, for the fiscal years ended August 31, 2004, 2003, and 2002, respectively, on the net proceeds of sales of the Company's products. In addition, the Company has paid health insurance premiums of \$17,158, \$10,619 and \$10,355 for the years ended August 31, 2004, 2003 and 2002, respectively, related to policies that insure the Company's Chief Executive Officer and Chairman of the Board.

On May 31, 2002, the Company made a loan of \$50,000 to Atagencer LLC, a limited liability company that is principally owned by Dr. Mehmet Gencer, a former member of NTIC's Board of Directors and a current executive officer of NTIC. This loan was evidenced by a promissory note held by NTIC and the outstanding principal balance bore interest at a rate of 2% per annum. The note was due five years from the date of issuance. The loan was made to Atagencer LLC to enable Atagencer LLC to obtain a 25% ownership interest in Fibro NTI, NTIC's joint venture entity in Turkey, of which NTIC has a 50% ownership interest. This note was repaid in full in July 2003. Additionally, in 2001 prior to Dr. Gencer becoming a director of NTIC in 2002, NTIC and Atagencer LLC entered into a consulting agreement pursuant to which NTIC pays Atagencer LLC fees for consulting services rendered. During fiscal 2004 and 2003, NTIC paid Atagencer LLC \$104,500 and \$104,000, respectively, in consulting fees. Atagencer LLC also has a 6.25% ownership interest in Polymer Energy LLC, a joint venture entity in the United States, of which NTIC has a 50% ownership interest.

On June 1, 2003, the Company made a loan of \$25,000 and agreed to make an additional loan to cover undetermined secretarial fees that later were determined amounted to \$6,781, bringing the total loan to \$31,781 for Tao Meng, who subsequently became a member of NTIC's Board of Directors on July 15, 2003. The loan was evidenced by a promissory note held by NTIC. The note was due to us five years from the date of issuance. The loan was made to Mr. Meng

to enable him to obtain a 25% ownership interest in Tianjin Zerust Co., NTIC's joint venture entity in China, of which NTIC maintains a 25% ownership interest. This loan has since been repaid in full and is no longer outstanding.

On January 21, 2004, the Company made a consulting payment to Dr. Sunggyu Lee of \$50,000. This consulting payment is not part of a formal written agreement and is not reoccurring. The consulting services related to research and development associated with various new technologies.

On July 6, 2004 and January 21, 2004, the Company made consulting payments to Dr Ramani Narayan of \$10,000 and \$25,000, respectively. Additionally, in fiscal 2003 and 2002 consulting payments were made totaling \$50,000 and \$30,000 respectively. These consulting payments are not part of a formal written agreement and are not reoccurring. The consulting services related to research and development associated with various new technologies.

The Company also pays rent for its Beachwood office and lab location to a related party. See Note 13.

## 12. INCOME TAXES

The provisions for income taxes for the fiscal years ended August 31 consist of the following:

	2004	2003	2002
<b>Current:</b>			
Federal	\$ 437,000	\$(176,000)	\$137,000
State	27,000	6,000	28,000
	<u>464,000</u>	<u>(170,000)</u>	<u>165,000</u>
<b>Deferred:</b>			
Federal	(263,000)	78,000	19,000
State	(12,000)	7,000	1,000
	<u>(275,000)</u>	<u>85,000</u>	<u>20,000</u>
	<u>\$ 189,000</u>	<u>\$ (85,000)</u>	<u>\$185,000</u>

Reconciliations of the expected federal income tax at the statutory rate with the provisions for income taxes for the three fiscal years ended August 31 are as follows:

	2004	2003	2002
Tax computed at statutory rates	\$ 417,000	\$ 130,000	\$ 480,000
State income tax, net of federal benefit	22,000	6,000	20,000
Tax effect on equity in income of international joint ventures	(495,000)	(296,000)	(352,000)
Tax effect on dividends received from corporate joint ventures	259,000	154,000	82,000
Other	(14,000)	(79,000)	(45,000)
	<u>\$ 189,000</u>	<u>\$ (85,000)</u>	<u>\$ 185,000</u>

The Company has not recognized a deferred tax liability relating to undistributed earnings of Corporate Joint Ventures and holding companies that are essentially permanent in duration of \$2,204,000 and \$1,709,000 at August 31, 2004 and 2003, respectively. If some or all of the undistributed earnings of the Corporate Joint Ventures and holding companies are remitted to the Company in the future, income taxes, if any, after the application of foreign tax credits will be provided at that time.

At August 31, 2004 the Company had foreign tax credit carryforwards of approximately \$1,300,000 which begin to expire in 2010. The Company established a valuation allowance of \$1,113,000 with respect to the foreign tax credit carryforwards.

The tax effect of the temporary differences and tax carry forwards comprising the net deferred taxes shown on the balance sheets at August 31 are as follows:

	2004	2003
<b>Current:</b>		
Allowance for doubtful accounts	\$ 4,000	\$ 2,000
Inventory costs	16,000	17,000
Prepaid expenses and other	(33,000)	(32,000)
Accrued expenses	278,000	16,000
Deferred gross profit	11,000	9,000
Total current	<u>\$276,000</u>	<u>\$ 12,000</u>
<b>Noncurrent:</b>		
Excess of book over tax depreciation	\$ 59,000	\$ 56,000
Asset valuation reserves	108,000	287,000
Foreign tax credits, net of a valuation allowance of \$1,113,000 at August 31, 2004	187,000	—
Total noncurrent	<u>\$354,000</u>	<u>\$343,000</u>

### 13. COMMITMENTS AND CONTINGENCIES

In fiscal 1999, a subsidiary of the Company, NTI Facilities, Inc., acquired a one-third ownership of Omni-Northern Ltd., an Ohio limited liability company, in contemplation of NTI Facilities, Inc. entering into a lease agreement with Omni-Northern Ltd. for approximately 50% of the net rental space in a building owned by Omni-Northern Ltd. Omni-Northern Ltd. owns and operates a rental property located at 23205 Mercantile Road, Beachwood, Ohio, comprising approximately two acres of land and a building of approximately 34,000 square feet. 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. The Company has guaranteed up to \$329,082 of the Omni-Northern Ltd.'s \$1,970,552 mortgage obligation with National City Bank, Cleveland, Ohio. NTI Facilities, Inc. entered into a 15-year lease agreement with Omni-Northern Ltd. for approximately 17,000 square feet of office, manufacturing, laboratory and warehouse space, requiring monthly rental payments of \$17,500, which are adjusted annually according to the annual consumer price index through November 2014. By its ownership in Omni-Northern Ltd., NTI Facilities Inc. is entitled to one-third of the operating results of Omni-Northern Ltd. Omni-Northern has leased the remaining 50% of the net rental space to other third parties.

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 pending or threatened litigation would not have a material adverse effect on the financial position or results of operations of the Company.

### 14. STATEMENTS OF CASH FLOWS

Supplemental disclosures of cash flow information for the fiscal years ended August 31 consist of:

	2004	2003	2002
Cash paid (received) during the year for income taxes	\$ 45,183	\$ 111,535	\$ (61,594)
Increase in the Company's investment in Corporate Joint Ventures and accumulated other comprehensive loss due to changes in exchange rates	491,444	269,045	277,657

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### 15. QUARTERLY INFORMATION (UNAUDITED)

	Quarter Ended			
	November 30	February 28	May 31	August 31
<b>Fiscal year 2004:</b>				
Net sales	\$2,538,757	\$2,543,648	\$3,101,925	\$2,731,346
Gross profit	1,225,644	1,334,529	1,640,402	1,434,681
Income before income taxes	424,205	147,075	512,715	141,315
Income taxes	51,000	65,000	1,000	72,000
Net income	373,205	82,075	511,715	69,315
<b>Net income per share:</b>				
Basic	\$ 0.10	\$ 0.02	\$ 0.14	\$ 0.04
Diluted	\$ 0.10	\$ 0.02	\$ 0.14	\$ 0.04
<b>Weighted average common shares assumed outstanding:</b>				
Basic	3,626,192	3,625,950	3,610,157	3,581,992
Diluted	3,640,604	3,640,015	3,618,562	3,589,304
<b>Fiscal year 2003:</b>				
Net sales	\$1,981,071	\$2,001,116	\$2,189,926	\$2,181,762
Gross profit	1,064,479	1,042,692	1,105,255	1,171,376
Income before income taxes	251,320	456,413	(102,707)	(182,299)
Income taxes	(1,000)	66,000	(82,000)	(68,000)
Net income	252,320	390,413	(20,707)	(114,299)
<b>Net income per share:</b>				
Basic	\$ 0.07	\$ 0.11	\$ (0.01)	\$ (0.03)
Diluted	\$ 0.07	\$ 0.11	\$ (0.01)	\$ (0.03)
<b>Weighted average common shares assumed outstanding:</b>				
Basic	3,638,530	3,635,086	3,629,863	3,629,283
Diluted	3,638,530	3,636,919	3,635,179	3,642,146

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**Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

In a Form 8-K dated June 8, 2004 the Company announced that it had changed its independent accountants. There were no disagreements with prior independent accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

**Item 8A. CONTROLS AND PROCEDURES.**

The Company's management evaluated, with the participation of the Company's principal executive officer and principal financial officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of August 31, 2004, the end of the period covered by this Report. Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures need improvement to be considered effective. The Company continues to evaluate methods to improve its disclosure controls and procedures as well as its internal control over financial reporting. The Company does not believe that the deficiencies in its disclosure controls and procedures resulted in any material misstatements in its consolidated financial statements contained in this Report. There was no change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter ended August 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 8B. OTHER INFORMATION.**

None.

**PART III**

**Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.**

**Directors, Executive Officers, Promoters and Control Persons**

The information required under Item 9 of this Form 10-KSB is to be contained under the captions "Election of Directors — Information About Nominees" and "Election of Directors — Information About the Board and its Committees" in the Company's definitive proxy statement to be filed with the SEC with respect to its next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

The information concerning the Company's executive officers and officers is included in this Form 10-KSB under Item 4A, "Executive Officers of the Company" and is incorporated herein by reference.

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

The information required under Item 9 of this Form 10-KSB is to be contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be filed with the SEC with respect to the Company's next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

**Procedures by which Security Holders Recommend Board Nominees**

The information required under Item 9 of this Form 10-KSB is to be contained under the caption "Election of Directors — Information About the Board and its Committees" in the Company's definitive proxy statement to be filed with the SEC with respect to the Company's next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

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**Code of Conduct and Ethics for Employees, Officers and Directors**

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions, as well as other employees and the Company's directors and meets the requirements of the SEC. A copy of the Company's Code of Ethics is filed as an exhibit to this Form 10-KSB. The Company intends to disclose any amendments to any waivers from a provision of the Company's code of ethics on a Form 8-K filed with the SEC.

**Item 10. EXECUTIVE COMPENSATION.**

The information required under Item 10 of this Form 10-KSB is to be contained under the captions "Election of Directors — Director Compensation" and "Executive Compensation and Other Benefits" in the Company's definitive proxy statement to be filed with the SEC with respect to the Company's next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

**Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The information required under Item 11 of this Form 10-KSB is to be contained under the caption "Security Ownership of Principal Stockholders and Management" in the Company's definitive proxy statement to be filed with the SEC with respect to the Company's next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

**Equity Compensation Plan Information**

The following table summarizes the Company's equity compensation plan as of August 31, 2004:

<u>Plan Category</u>	<u>(a)</u> <u>Number of Securities to</u> <u>be Issued Upon Exercise</u> <u>of Outstanding Options,</u> <u>Warrants and Rights</u>	<u>(b)</u> <u>Weighted-Average</u> <u>Exercise Price of</u> <u>Outstanding Options,</u> <u>Warrants and Rights</u>	<u>(c)</u> <u>Number of Securities</u> <u>Remaining Available for</u> <u>Future Issuance Under</u> <u>Equity Compensation Plans</u> <u>(excluding securities</u> <u>reflected in column (a))</u>
Equity compensation plans approved by security holders:			
1994 Stock Incentive Plan	32,655	\$ 6.97	0
2000 Stock Incentive Plan	83,000	\$ 4.62	117,000
Equity compensation plans not approved by security holders	0	0	0
<b>Total</b>	<b>115,655</b>	<b>\$ 5.29</b>	<b>117,000</b>

Under the American Stock Exchange rules, the Company is required to disclose in its annual report the number of outstanding options and options available for grant under its equity compensation plans as of September 1, 2003 and August 31, 2004. As of September 1, 2003, the number of securities to be issued upon exercise of outstanding options, warrants and rights were 118,321 shares of the Company's common stock at a weighted average exercise price of \$5.39 per share. The number of securities remaining available for future issuance under the Company's equity compensation plans (excluding securities to be issued upon exercise of outstanding options, warrants and rights) was 117,000 shares of the Company's common stock. This information as of August 31, 2004 is contained in the table above.

**Item 12. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS.**

The information required under Item 12 of this Form 10-KSB is to be contained under the caption "Related Party Relationships and Transactions" in the Company's definitive proxy statement to be filed with the SEC with respect to the Company's next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

**Item 13. EXHIBITS AND REPORTS ON FORM 8-K.**

**(a) Exhibits**

Reference is made to the Exhibit Index hereinafter contained, at page 41 of this Report.

A copy of any exhibits listed or referred to herein will be furnished at a reasonable cost to any person who is a stockholder upon receipt from any such person of a written request for any such exhibit. Such request should be sent to: Mr. Matthew Wolsfeld, Northern Technologies International Corporation, 6680 N. Highway 49, Lino Lakes, Minnesota 55014 Attn: Stockholder Information.

The following is a list of each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Annual Report on Form 10-KSB pursuant to Item 13(a):

- A. Form of Incentive Stock Option Agreement for 1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 1993).
- B. Form of Non-Qualified Stock Option Agreement for 1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 1993).
- C. 1994 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 1993).
- D. 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 2000).
- E. Form of Incentive Stock Option Agreement for 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 2000).

- F. Form of Non-Qualified Stock Option Agreement for 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 2000).

**(b) Reports on Form 8-K**

During the fourth quarter of the fiscal year ended August 31, 2004, the Company filed a Current Report on Form 8-K with the SEC on June 14, 2004 under Items 4 and 7 reporting a change in its independent auditors.

**Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The information required under Item 14 of this Form 10-KSB is to be contained under the caption "Independent Auditors" in the Company's definitive proxy statement to be filed with the SEC with respect to the Company's next annual meeting of stockholders, which involves the election of directors and is incorporated herein by reference, or, if such proxy statement is not filed with the SEC within 120 days after the end of the fiscal year covered by this Form 10-KSB, such information will be filed as part of an amendment to this Form 10-KSB not later than the end of the 120-day period.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15 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

November 22, 2004	By: /s/ Philip M. Lynch
	Philip M. Lynch Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant on November 22, 2004 in the capacities indicated.

Name	Title
/s/ Philip M. Lynch	Chief Executive Officer and Chairman of the Board of Directors (principal executive officer)
Philip M. Lynch	
/s/ Matthew C. Wolsfeld, CPA	Chief Financial Officer and Corporate Secretary (principal financial officer and principal accounting officer)
Matthew C. Wolsfeld, CPA	
/s/ Donald A. Kubik, Ph.D.	Chief Technology Officer and Vice Chairman of the Board of Directors
Donald A. Kubik, Ph.D.	
/s/ Stephan Taylor	Director
Stephan Taylor	
/s/ Mark J. Stone	Director
Mark J. Stone	
/s/ Pierre Chenu	Director
Pierre Chenu	
/s/ Tao Meng	Director
Tao Meng	
/s/ Dr. Sunggyu Lee	Director
Dr. Sunggyu Lee	
/s/ G. Patrick Lynch	Director
G. Patrick Lynch	

Tatiana Yakubovskaya

Dr. Ramani Narayan

Mark Mayers

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**  
**EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-KSB**  
**FOR THE FISCAL YEAR ENDED AUGUST 31, 2004**

<u>Item No.</u>	<u>Item</u>	<u>Method of Filing</u>
3.1	Certificate of Incorporation	Incorporated by reference to Exhibit 3.1 contained in the Registration Statement on Form 10 (File No. 0-19331).
3.2	Bylaws	Incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 2003.
10.1	Form of Incentive Stock Option Agreement for 1994 Stock Incentive Plan	Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 1993.
10.2	Form of Non-Qualified Stock Option Agreement for 1994 Stock Incentive Plan	Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-KSB for the fiscal year ended August 31, 1993.
10.3	1994 Stock Incentive Plan	Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-KSB for the year ended August 31, 1993.
10.4	2000 Stock Incentive Plan	Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-KSB for the year ended August 31, 2000.
10.5	Form of Incentive Stock Option Agreement for 2000 Stock Incentive Plan	Incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-KSB for the year ended August 31, 2000.
10.6	Form of Non-Qualified Stock Option Agreement for 2000 Stock Incentive Plan	Incorporated by reference to Exhibit 10.6 to the Company's Annual Report on Form 10-KSB for the year ended August 31, 2000.
10.7	Technical Assistance and Marketing Support Agreement by and between Atagencer, LLC and Polymer Energy, LLC dated as of June 26, 2003	Filed herewith electronically.
10.8	Operating Agreement of Polymer Energy, LLC, dated as of June 26, 2003	Filed herewith electronically.
10.9	Management and Marketing Agreement by and between Northern Technologies International Corporation and Polymer Energy, LLC dated as of June 26, 2003	Filed herewith electronically.
10.10	License Agreement by and between Zbigniew Tokarz, Trustee U/A dated June 26, 2003 and Polymer Energy, LLC dated as of June 26, 2003	Filed herewith electronically.
10.11	Polymer Energy Joint Venture Agreement dated as of June 26, 2003	Filed herewith electronically.

<u>Item No.</u>	<u>Item</u>	<u>Method of Filing</u>
10.12	Technical Assistance and Marketing Support Agreement by and between Maciej Zalewski, Trustee and Polymer Energy, LLC dated as of June 26, 2003	Filed herewith electronically.
10.13	Sales Representation Agreement by and between Fibro-NTI, Joint Stock Company and Atagencer, LLC dated as of June 24, 2001	Filed herewith electronically.
10.14	Management Agreement by and between Fibro-NTI, Joint Stock Company and Fibrobeton Precast Concrete Ltd. dated as of June 24, 2001	Filed herewith electronically.
10.15	License Agreement by and between Northern Technologies International Corporation and Fibro-NTI, Joint Stock Company dated as of June 24, 2001	Filed herewith electronically.
10.16	Shareholders Joint Venture Agreement by and between Fibrobeton Precast Concrete Ltd., Atagencer, LLC and Northern Technologies International Corporation dated as of June 24, 2001	Filed herewith electronically.
10.17	Technical Assistance and Marketing Support Agreement by and between Northern Technologies International Corporation and Fibro-NTI, Joint Stock	Filed herewith electronically.

10.18	Company dated as of June 24, 2001 Technical Assistance and Marketing Support Agreement by and between Northern Technologies International Corporation and Zerust (UK) Limited dated as of January 20, 1997	Filed herewith electronically.
10.19	Management and Sales Representation Agreement by and between Taylor Packaging (Bishop Auckland) Limited and Zerust (UK) Limited dated as of January 20, 1997	Filed herewith electronically.
10.20	License Agreement by and between Northern Technologies International Corporation and Zerust (UK) Limited dated as of January 20, 1997	Filed herewith electronically.
10.21	Shareholders Joint Venture Agreement for the Establishment of Tianjin Zerust Anti-Corrosion Technologies Ltd. by and between Tianjin China March Group Ltd. and NTI Asean, LLC dated as of September 1, 1999	Filed herewith electronically.
10.22	Consulting Services Agreement for Management and Sales Representation by and between Tianjin China March Group Ltd. and Tianjin Zerust Anti-Corrosion Technologies Ltd. dated as of September 1, 1999	Filed herewith electronically.
10.23	Technical Assistance and Marketing Support Agreement by and between NTI Asean, LLC and Tianjin Zerust Anti-Corrosion Technologies Ltd. dated as of September 1, 1999	Filed herewith electronically.
10.24	License Agreement by and between NTI Asean LLC and Tianjin Zerust Anti-Corrosion Technologies Ltd. dated as of September 1, 1999	Filed herewith electronically.

<u>Item No.</u>	<u>Item</u>	<u>Method of Filing</u>
10.25	Joint Venture Agreement by and between Taylor Packaging (Bishop Auckland) Limited and Northern Technologies International Corporation dated as of January 20, 1997	Filed herewith electronically.
10.26	Manufacturer's Representative Agreement between Northern Instruments Corporation and The Saxxon Organization Incorporated dated October 1, 1976 and Assignment by and among The Saxxon Organization Incorporated, Inter Alia Holding Co. and Northern Instruments Corporation, dated January 9, 1980	Filed herewith electronically.
10.27	Technical Improvement and Intellectual Property Development Agreement by and among Atagencer, LLC, Mehmet A. Gencer, Ph.D., Atagencer Group, and Northern Technologies International Corporation dated as of January 5, 2004	Filed herewith electronically.
10.28	Articles of Incorporation of The Constrained Joint-Stock Company "MostNIK" as registered July 6, 2000 (This is an English translation of a Russian contract)	Filed herewith electronically.
14.1	Code of Ethics	Filed herewith electronically.
21.1	Subsidiaries of the Registrant	Filed herewith electronically.
23.1	Consent of Virchow, Krause & Company, LLP	Filed herewith electronically.
23.2	Consent of Deloitte & Touche LLP	Filed herewith electronically.
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14	Filed herewith electronically.
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14	Filed herewith electronically.
32.1	Certification of Chief Executive Officer Pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically.
32.2	Certification of Chief Financial Officer Pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith electronically.

TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT

BY AND BETWEEN

ATAGENCER, LLC

AND

POLYMER ENERGY, LLC

DATED AS OF JUNE 26, 2003

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT**

THIS TECHNICAL ASSISTANCE AND MARKETING SUPPORT AGREEMENT (the “Agreement”), is made and entered into as of June 26, 2003 by and between ATAGENCER, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. (“Atagencer”), and POLYMER ENERGY, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A., (“Company”).

**ARTICLE 1**

**DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply. Any capitalized terms not otherwise defined herein shall have the definitions given to such terms in the Joint Venture Agreement.

- 1.1 **Affiliate.** Any Person that controls, is controlled by, or is under common control with, another Person.
- 1.2 **Agents.** The officers, employees, consultants or other representatives of any of the Parties or of the Company.
- 1.3 **Ancillary Agreements.** The following are the Ancillary Agreements and the Parties thereto:
  - (a) **License Agreement.** License Agreement dated as of the Effective Date between Zbigniew Tokarz, Trustee U/A Dated June 26, 2003, as licensor, and the Company, as licensee, concerning the Polymer Recycling Technology (“License Agreement”).

- (b) **Technical Assistance Agreements.** This Agreement and the Technical Assistance and Marketing Support Agreement dated as of the Effective Date between the Company and the Zalewski Trust (“Technical Assistance Agreements”).
- (c) **Management Agreement.** Management and Marketing Agreement dated as of the Effective Date between the Company and NTI (“Management Agreement”).
- (d) **Operating Agreement.** Operating Agreement of the Company dated as of the Effective Date among the Atagencers of the Company.

1.4 **Atagencer.** Atagencer, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A.

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1.5 **At Cost.** Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription “At Cost”).

1.6 **Business.** The commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology throughout the Territory, including the manufacturing, promotion and sale of Products, the providing of Services, and all other methods of commercialization of the Intellectual Property Rights.

1.7 **Change of Control.** Any change in ownership, management, control or scope of business activities of a Party that could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

1.8 **Company.** Polymer Energy, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. as a joint venture entity pursuant to the Joint Venture Agreement to conduct the Business in the Territory.

1.9 **Effective Date.** The date of this Agreement.

1.10 **Intellectual Property Rights.** The Polymer Recycling Technology and any Other Agreed Upon Technology, including the Know-How, Materials, Processes, Trademarks, and Trade Secrets, (all as hereinafter defined), collectively, as the same currently exist and shall hereafter be modified, developed and/or acquired by the Company.

1.11 **Joint Venture Agreement.** The Joint Venture Agreement dated as of the Effective Date by and among Atagencer, the Tokarz Trust, the Zalewski Trust and NTI relating to the formation and governance of the Company and the conduct of the Business (the “Joint Venture Agreement”).

1.12 **Know-How.** The technology, formulae, methods and procedures developed by the Company which are unique in nature and essential or useful in the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology, together with all improvements and modifications with respect thereto.

1.13 **Materials.** The constituent materials and chemicals of one or more formulations developed by the Company which are required for commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology.

1.14 **Net Sales.** The gross proceeds received by the Company from the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies in normal, bona fide commercial transactions on an arm’s length basis to, by, with, or through an entity which is not affiliated with any Party to this Agreement, less (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

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1.15 **New Atagencer Technology.** Any new technology developed by Atagencer or Mehmet Gencer during the term of this Agreement that is determined by the Parties to be desirable by the Company as part of the Business and that subsequently becomes an Other Agreed Upon Technology.

1.16 **NTI.** Northern Technologies International Corporation, a corporation organized under the laws of the State of Delaware, U.S.A.

1.17 **Operating Agreement.** The Operating Agreement of the Company dated as of the Effective Date.

1.18 **Other Agreed Upon Technologies.** In conformity with the objectives of the Parties to expand the Business over time, products, materials and/or technologies, including any New Atagencer Technology, identified by the Parties over time which are both compatible with the Business and susceptible of being profitably marketed through and/or by the Company in the Territory. Upon agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Company’s activities, and successful negotiation of all requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Business as “Other Agreed Upon Technologies” to be treated as set forth in the Joint Venture Agreement and/or the Ancillary Agreements.

1.19 **Parties.** The parties to this Agreement and their successors and permitted assigns.

1.20 **Person.** Any corporation, partnership, limited liability company or other entity, however denominated, and any natural person.

1.21 **Polymer Recycling Technology.** A method for continuous conversion of polyolefinic plastics wastes (such as polyethylene or polypropylene) to a liquid mixture of non-saturated and saturated hydrocarbons, constituting high quality paraffin, and a device to realize said method, including, without limitation, certain rights to the patents, patent applications, know-how and related intellectual property described in Exhibit A attached to the Joint Venture Agreement.

1.22 **Processes.** The procedures utilizing the Know-How for the manufacture of Products as developed and specified by the Company, together with any improvements of and modifications to the same as it relates to the manufacturing of Products, together with future technology, knowledge and product

development which is useful in the manufacture of Products.

1.23 **Products.** Any products, including machinery and equipment, manufactured by or for the Company utilizing the Polymer Recycling Technology and any Other Agreed Upon Technologies, incorporating the Materials or Processes, or utilizing the Trademarks, all of which have been developed by and are owned and/or licensed by the Company.

1.24 **Prototype.** A prototype of the machinery and equipment required to practice or use the Polymer Recycling Technology.

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1.25 **Services.** Services utilizing or based upon the Polymer Recycling Technology or any Other Agreed Upon Technology.

1.26 **Territory.** All NAFTA countries (including Canada, the United States and Mexico) and all countries of Asia (including all ASEAN countries as well as India, Japan, China and Turkey), as well as any other countries as shall be agreed among the Parties.

1.27 **Tokarz.** Zbigniew Tokarz, a natural Person.

1.28 **Tokarz Trust.** Irrevocable Trust Agreement of Zbigniew Tokarz dated June 26, 2003.

1.29 **Trademarks.** Any trademarks now or hereafter owned or licensed by the Company in connection with the Business, including all trade literature, technical specifications and application instructions and promotional material pertaining thereto, together with all ancillary trademark registrations, which may differ between various jurisdictions.

1.30 **Trade Secrets.** Trade Secrets includes both Company Trade Secrets (as defined in Section 13.1 of the Joint Venture Agreement) and Shareholder Trade Secrets (as defined in Section 14.1 of the Joint Venture Agreement).

1.31 **Zalewski.** Maciej Zalewski, a natural Person.

1.32 **Zalewski Trust.** Irrevocable Trust Agreement of Maciej Zalewski dated June 26, 2003.

## **ARTICLE 2**

### **TECHNICAL ASSISTANCE TO BE PROVIDED BY ATAGENCER**

2.1 **Technical Assistance Relative to Products.** Atagencer (through Mehmet Gencer) shall provide the Company with technical advice with respect to the effective use of the Polymer Recycling Technology, applications engineering support in response to customer requirements for the development of the Polymer Recycling Technology, analysis and advice relating to Processes and catalysts that might be used in connection with the Polymer Recycling Technology, and technical assistance in the manufacturing of Products incorporating the Polymer Recycling Technology in the Territory. In addition, Atagencer and Mehmet Gencer shall assist the Company in responding to technical problems which might arise from the use of the Polymer Recycling Technology (proper and improper), and in the evaluation of potential new applications of the Polymer Recycling Technology for specific customers.

2.2 **Development of New Application Technologies.** Atagencer and Mehmet Gencer shall continue their efforts to expand the range of applications of the Polymer Recycling Technology and shall make any tangible results of such efforts available to the Company.

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## **ARTICLE 3**

### **MARKETING SUPPORT**

3.1 **Marketing Support Relative to Polymer Recycling Technology.** Atagencer (through Mehmet Gencer) shall provide the Company with assistance in marketing the Polymer Recycling Technology in the Territory and in responding to inquiries with respect to the proper application, including potential new applications, of the Polymer Recycling Technology in the Territory.

3.2 **Improvements in Marketing.** Atagencer and Mehmet Gencer shall continue their efforts to improve the marketing techniques for the Polymer Recycling Technology, and shall make any tangible results of all such efforts available to the Company within the compensation to be paid by the Company to Atagencer pursuant to Article 6 hereof.

3.3 **Sales Promotion Tools.** Atagencer (through Mehmet Gencer) shall provide support and assistance in the sales promotion and advertising efforts of the Company ("Sales Promotion Tools"). Atagencer (through Mehmet Gencer) shall provide all text, photographs, artwork and mats, if any, that Atagencer or Mehmet Gencer has developed for its own proprietary Sales Promotion Tools, to the Company At Cost, upon the reasonable request of the Company.

3.4 **Participation in Trade Fairs.** At the Company's request, and upon mutual agreement as to timing, cost and scope, Atagencer and Mehmet Gencer shall provide support to the Company in designing and preparing display material for the Company. Atagencer and Mehmet Gencer shall also provide technical staff for the Company's booth at appropriate Trade Fairs in the Territory, to promote the commercialization of the Polymer Recycling Technology in the Territory.

3.5 **Joint Sales Calls.** Upon mutual agreement, proper advance planning and identification of suitable prospects, Atagencer and Mehmet Gencer shall make sales calls in the Territory jointly with NTI and/or the Company sales staff to promote the sale of Products or Services utilizing the Polymer Recycling Technology in the Territory.

3.6 **Assistance re: Potential Customers and Financing Sources.** Atagencer (through Mehmet Gencer) shall use its best efforts to introduce the Company and NTI to Persons (particularly industrial entities) and governmental entities that are (a) potential customers for Products or Services of the Company and/or (b) potential sources of grants, loans and other sources of financing for the future development of the Polymer Recycling Technology and any Other Agreed Upon Technologies and for conducting and enhancing the Business. Atagencer (through Mehmet Gencer) shall assist the Company in structuring proposals or applications for grants, loans and other types of financings and shall provide such other assistance to the Company in connection with its efforts to obtain grants, loans and other types of financing as the Company or NTI may reasonably request.

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#### **ARTICLE 4**

##### **INTERNATIONAL COORDINATION AND SUPPORT**

It is recognized by the Parties that a major element in the Technical Assistance and Marketing Support provided by Atagencer relates to the integration of the Business within the worldwide "Federation" of NTI and NTI ASEAN Affiliates. Therefore, the Technical Assistance and Marketing Support provided to the Company shall include:

4.1 **Identification of International Customers.** Atagencer and Mehmet Gencer shall, together with NTI, identify potential international companies working in the Territory and attempt to determine which of these have become significant users of services or products utilizing the Polymer Recycling Technology in the United States and in the respective territories of other NTI and Affiliates. Following such research into pre-existing customers, Atagencer and Mehmet Gencer shall provide lists of significant users of services or products utilizing the Polymer Recycling Technology it identifies, together with appropriate references, photographs and other available information as to appropriate applications of the Polymer Recycling Technology for each international customer identified to the Company for use in the Territory.

4.2 **Participation in Worldwide Conferences.** Atagencer and Mehmet Gencer shall participate in appropriate worldwide and regional strategic conferences, marketing seminars and technical exchanges organized by NTI and/or its Affiliates for their joint venture partners.

#### **ARTICLE 5**

##### **OTHER AGREED UPON TECHNOLOGIES**

5.1 **Uncertainty as to Market Structure.** The Parties recognize that the structure of the market for each Other Agreed Upon Technology in the Territory may require a different marketing approach from that required by the structure of the market for the Polymer Recycling Technology. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies in the Territory, for planning purposes.

5.2 **Determination of Services to be Performed.** Accordingly, under this Technical Assistance Agreement, Atagencer and Mehmet Gencer shall use their best efforts to perform essentially the same range of services with respect to Other Agreed Upon Technologies that Atagencer and Mehmet Gencer do in the ordinary course of business with respect to the Polymer Recycling Technology, adjusted as commensurate to the commercial and financial potential of each individual market for Other Agreed Upon Technologies in the Territory.

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#### **ARTICLE 6**

##### **PAYMENTS FOR TECHNICAL ASSISTANCE AND MARKETING SUPPORT SERVICES**

6.1 **Basis for Payments.** The Company shall make payments to Atagencer as provided in this Article 6 in consideration of all services performed by Atagencer and Mehmet Gencer as set forth in Articles 2, 3, 4 and 5 hereof. The payments set forth herein shall be made throughout the entire term of this Agreement as compensation in full for the services specified and duly provided by Atagencer and Mehmet Gencer to the Company.

6.2 **Payments for Services Relative to Polymer Recycling Technology.** The Company shall pay to Atagencer an amount equal to three and three-quarters percent (3.75%) of Net Sales for Atagencer's and Mehmet Gencer's services to the Company under this Agreement. Such payments, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by Atagencer from time to time.

6.3 **Payments for Services Relative to Other Agreed Upon Technologies.** Payments to be made to Atagencer with respect to services to the Company relating to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Atagencer shall perform substantially the same services under this Agreement with respect to Other Agreed Upon Technologies that it does with respect to the Polymer Recycling Technology. Accordingly, payments to Atagencer for its services with respect to Other Agreed Upon Technologies under this Agreement shall, unless otherwise agreed between the Parties, be equal (as a percentage of Net Sales of each Other Agreed Upon Technology) to the payments paid by the Company to Atagencer for its services hereunder with respect to the Polymer Recycling Technology.

6.4 **When a Sale is Deemed to Occur.** A sale shall be deemed to have occurred when goods or services based upon the Polymer Recycling Technology or the Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

6.5 **Support Year.** The term "Support Year" shall mean any twelve (12) month period ending on 31 August, except that the first Support Year shall commence on the Effective Date, and end at the next 31 August date.

6.6 **Statements to Atagencer.** Within sixty (60) days after the last day of each quarterly period in each Support Year, the Company shall:

- (a) Prepare and deliver to Atagencer a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:
  - (i) The total amount of Net Sales (broken down in reasonable detail by individual volumes and customers and showing all

- (ii) The total amount of compensation, based upon such Net Sales related to Polymer Recycling Technology (computed as hereinbefore provided) payable to Atagencer for its services hereunder;
  - (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (iv) The total amount of compensation, based upon such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to Atagencer for its services to the Company hereunder.
- (b) Pay to Atagencer the full amount to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Section 6.6.(a) hereof.

6.7 **Books and Records** . The Company covenants and agrees:

- (a) That it will keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable Atagencer's independent accountants to verify the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 6.6(a);
- (b) That it will keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and
- (c) That it will make such commercial and financial records, books of account, data and information available to Atagencer's representatives and to Atagencer's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 6.6(a) hereof. In addition, Atagencer shall have the right to make copies of any of the foregoing. The independent accountants of the Company shall in the ordinary course of business provide written confirmation and certification to Atagencer, at least annually, of the data supplied to Atagencer pursuant to Section 6.6(a) hereof. The cost of such reports shall be borne by the Company. In the event that Atagencer shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by Atagencer unless such representatives shall determine, to the satisfaction of the Company's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of Atagencer's representatives and/or accountants shall be borne by the Company.

**ARTICLE 7**

**[RESERVED]**

**ARTICLE 8**

**[RESERVED]**

**ARTICLE 9**

**TERM OF AGREEMENT**

9.1 **Indefinite Term**. This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

9.2 **Termination**. This Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- (a) Terminated in accordance with Section 9.3 and/or Section 9.4 hereof;
- (b) Terminated by either Party by reason of a material Breach or Default of this Technical Assistance Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof; or

- (c) Terminated automatically, in conjunction with the termination of the Joint Venture Agreement or any of the Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

9.3 **Termination Upon Change of Control of a Party.** In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

9.4 **Termination Upon Bankruptcy or Insolvency.** If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

- (a) Payments due under this Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- (b) Payments due under this Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party or Parties; and
- (c) All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

9.5 **Payment of Amounts Due.** In the event of termination of this Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

9.6 **Cooperation Upon Termination.** Upon termination of this Agreement, the Company shall cooperate with Atagencer transferring any Atagencer Intellectual Property Rights, and Atagencer Trade Secrets, to Atagencer or its designated assignee.

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9.7 **Non-Release of Obligations.** The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. Upon termination of this Agreement, Atagencer Intellectual Property Rights together with Atagencer Trade Secrets shall continue to be kept secret and confidential by the Company.

9.8 **Cessation of Rights Upon Termination.** Upon the termination of this Agreement, for reason of Default or Breach of this Agreement or of the Joint Venture Agreement or of any Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

## ARTICLE 10

### DEFAULT

10.1 **Event of Default.** A Default ("Default") hereunder shall exist in the event of:

- (a) Non-payment of funds by one Party to another Party when due and owing; or
- (b) A material Breach ("Breach") of any other provision of this Agreement, or
- (c) A Default under the Joint Venture Agreement.

10.2 **Remedies Upon Default or Breach.** The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- (a) If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- (b) Notwithstanding the forgoing, in the event of a violation of Article 8 hereof by a Party hereto, the other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article hereof as provided herein.

10.3 **Non-Waiver of Rights.** A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Section 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Section 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

## ARTICLE 11

### DISPUTE RESOLUTION

11.1 **Dispute Resolution by Arbitration.** Any and all disputes, except as excluded under Section 11.2 hereof, which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- (a) A dispute as to whether a Default exists;
- (b) A dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- (c) A dispute as to the validity of this Article 11;
- (d) A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
- (e) A dispute as to the rights, obligations or liabilities of the Parties hereunder.

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11.2 **Disputes Not Subject to Arbitration.** Notwithstanding anything to the contrary set forth in this Agreement:

- (a) Arbitration may not be invoked regarding matters expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- (b) Arbitration may not be invoked if a Party violates the provisions of this Agreement relating to Company Intellectual Property Rights, and/or Company Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 8 or 10 hereof shall apply.

11.3 **Conduct of Arbitration Proceedings.** Such arbitration proceedings shall be conducted in the English language and shall be carried on in the City of Cleveland, Ohio, U.S.A., or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Technical Assistance Agreement, the laws of the State of Ohio, U.S.A. shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

11.4 **Designation of the "Prevailing Party".** In each case in which arbitration is invoked under this Agreement, the Joint Venture Agreement or any of the Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

11.5 **Punitive Damages Excluded.** The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

## ARTICLE 12

### GENERAL PROVISIONS

12.1 **Benefit of Parties.** All of the terms and provisions of this Agreement, the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations hereunder to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of a such Party's rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

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12.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3 **Cooperation.** During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Agreement as well as those of the Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

12.4 **Index, Captions, Definitions and Defined Terms.** The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Technical Assistance Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

12.5 **Waiver of Compliance.** The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, conditions, Breach or Default hereunder.

12.6 **Force Majeure.** In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Technical Assistance Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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12.7 **Notices.** All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL, UPS or equivalent, as follows:

If to Company, to: Polymer Energy, LLC  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 216-595-1741

If to Atagencer, to: Atagencer, LLC  
10988 Tanager Trail  
Brecksville, OH 44141

or to such other address as may be specified in writing by any of the above.

12.8 **Entire Agreement.** This Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Agreement so as to provide for expansion both of Net Sales and of the scope of the Business with Other Agreed Upon Technologies. Any amendment or supplement to this Agreement, the Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof. In case of a conflict between the terms of this Agreement and the terms of the Joint Venture Agreement, the terms of the Joint Venture Agreement shall prevail.

12.9 **Validity of Provisions.** Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

12.10 **Governmental Filings.** The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. Atagencer shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

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12.11 **Payments.** Any payment to be made by the Company to Atagencer pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by Atagencer. Atagencer shall have the right to specify in writing any bank account to which payments due shall be made.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**POLYMER ENERGY, LLC**

**ATAGENCER, LLC**

By: /s/

By: /s/ Dr. Mehmet A. Gencer

Title:

Title: President

("Company")

("Atagencer")

**APPROVAL OF MEHMET GENCER**

By his signature hereto Mehmet Gencer individually approves and agrees to the terms and provisions of this Agreement and agrees to be bound thereto to the extent that such terms and provisions are applicable to him, it being understood that Mehmet Gencer shall also have a direct right of action in his own name for the enforcement of the provisions of this Agreement.

/s/ Mehmet Gencer

**MEHMET GENCER, Individually**



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**OPERATING AGREEMENT**

**OF**

**POLYMER ENERGY, LLC**

THIS OPERATING AGREEMENT is entered into as of this 26th day of June, 2003 by and among the persons who have executed this Agreement and are identified as Shareholders in **Schedule A** attached hereto and such other persons, if any, who may hereafter become additional Shareholders and sign counterpart signature pages hereof (individually referred to as “Party” and collectively referred to as the “Parties”).

**RECITALS:**

The Parties have determined that it will be in their collective best interests to form a new joint venture entity to license the “Polymer Recycling Technology” as hereinafter defined), and commercially exploit the Polymer Energy Technology within the “Territory” (as hereinafter defined) in such ways as may be agreed to by the Parties.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

**ARTICLE 1**

**FORMATION OF LIMITED LIABILITY COMPANY**

On November 20, 2002, Articles of Organization were filed with the Secretary of State of Ohio thereby forming a limited liability company that shall serve as the joint venture entity referred to in the Recitals above (the “Company”) under the provisions of the Ohio Limited Liability Company Act as set forth in Chapter 1705 of the Ohio Revised Code (the “Act”).

**ARTICLE 2**

**NAME**

The business of the Company shall be conducted under the name **Polymer Energy, LLC** or such other name as the Board of Managers shall hereafter designate.

**ARTICLE 3**

**DEFINITIONS**

As used in this Agreement and the Tax Appendix attached hereto as **Schedule B** and made a part hereof (the “Tax Appendix”), the following terms shall have the meanings indicated. Capitalized terms used in this Agreement but not listed below shall have the meanings specified in the Tax Appendix.

- 
- 3.01 Act.** The Ohio Limited Liability Company Act set forth in Chapter 1705 of the Ohio Revised Code.
  - 3.02 Affiliate.** Any Person that controls, is controlled by, or is under common control with a designated Person.
  - 3.03 Agent.** Any officer, director, manager, employee, consultant or other representative, however denominated, of a Person.
  - 3.04 Agreement.** This Operating Agreement, as amended, modified or supplemented from time to time.
  - 3.05 Capital Contribution.** The amount of cash and/or at the election of the Managers, the fair market value of any amount contributed by a Shareholder to the Company in exchange for its shares, including (i) property, (ii) services rendered, or (iii) a promissory note or other obligation to contribute cash or property or to perform services, which obligation is set forth in writing and signed by the Shareholder.
  - 3.06 Cash Available.** Includes all funds received by the Company from any source whatsoever, including (i) Capital Contributions, (ii) its operations, (iii) income derived from royalties paid to the Company pursuant to a license of the Polymer Recycling Technology by the Company to any Person (including a license by the Company to a Party), (iv) interest or other income earned on funds, (v) borrowings or the refinancing of any indebtedness of the Company; and/or (vi) the sale of any Company Property (but excluding sales made to liquidate Company Property upon dissolution), and determined by the Managers to be

available for distribution after paying expenses, paying Tax Distributions pursuant to Section 11.01 hereof, making such prepayments of indebtedness of the Company as the Managers may, in their discretion, determine, and providing reserves for such anticipated expenses and acquisition of assets as the Managers reasonably determine are necessary or desirable for the efficient and appropriate operation of the Company.

**3.07 Code.** The Internal Revenue Code of 1986, as amended. All references to particular sections of the Code shall be deemed to include references to corresponding provisions of subsequent federal tax law.

**3.08 Company.** The limited liability company formed pursuant to the Articles of Organization of the Company, as it may from time to time be constituted.

**3.09 Company Property.** All real and personal property acquired by the Company, including both tangible and intangible property.

**3.10 Confidential Information.** Any data or information, other than Trade Secrets, that is valuable to a Person and not generally known to competitors of that Person.

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**3.11 Control.** The power, directly or indirectly, to direct or cause the direction of the management and policies of a Person, whether through ownership of securities, by contract or otherwise.

**3.12 Dissolution Event.** As defined in Section 17.01.

**3.13 Distributees.** Shareholders.

**3.14 Fiscal Year.** The fiscal year of the Company, and its taxable year for federal income tax purposes, which shall be the calendar year.

**3.15 Gross Revenues.** All revenues and other consideration of any type received from any source, without deduction, determined in accordance with generally accepted accounting principles consistently applied.

**3.16 Joint Venture Agreement.** The Joint Venture Agreement of even date herewith among the Shareholders, as the same may hereafter be amended or restated.

**3.17 Manager.** As that term is defined in the Act. The Board of Managers shall manage the business and affairs of the Company in accordance with this Agreement.

**3.18 NTI** Northern Technologies International Corporation, a Delaware corporation.

**3.19 Officers.** The officers of the Company from time to time elected or appointed and acting pursuant to Section 15.17 of this Agreement.

**3.20 Person.** Any natural person, corporation, partnership, firm, association, limited liability company or any other entity, whether acting in an individual, fiduciary or other capacity.

**3.21 Polymer Recycling Technology.** A method for continuous conversion of polyolefinic plastics wastes (such as polyethylene or polypropylene) to a liquid mixture of non-saturated and saturated hydrocarbons, constituting high quality paraffin, and a device to realize said method, including, without limitation, certain rights to the patents, patent applications, know-how and related intellectual property described in **Exhibit A** to the Joint Venture Agreement.

**3.22 Shares.** "Membership interests" (as that term is defined in the Act), representing an ownership interest in the equity of the Company, including any classes of Shares authorized from time-to-time by the terms of this Agreement. Except as otherwise expressly stated herein, the number of Shares held by a Person in relation to the total number of Shares then outstanding shall determine that Person's relative participation in the capital, Profits and Losses and distributions from the Company. The Managers shall determine from time-to-time the Capital Contributions or other consideration to be accepted in exchange for Shares.

**3.23 Shareholder.** "Member" (as that term is defined in the Act).

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**3.24 Tax Distribution.** A cash distribution to the Shareholders pursuant to the provisions of Section 11.01 of this Agreement.

**3.25 Territory.** All NAFTA countries (Canada, United States and Mexico) and all countries of Asia, including without limitation all ASEAN countries as well as India, Japan, China, and Turkey.

**3.26 Trade Secret** Information, including but not limited to technical or non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process, financial data, financial plan, product plan, list of actual or potential customers or suppliers, or other information similar to any of the foregoing, which (a) derives 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, and (b) is the subject of reasonable efforts by a Person to maintain its secrecy. For purposes of this Agreement, the term "Trade Secrets" does not include information that (x) was generally known to the public at the time of the disclosure of such information in violation of any provision of this Agreement, (y) became generally known to the public after disclosure in violation of any provision of this Agreement through no act or omission of the Person who owned the Trade Secrets, or (z) was disclosed to any Person by a third party having a bona fide right both to possess such information and to disclose such information to a Person who is not the owner of the Trade Secrets.

**3.27 Transfer.** Any transfer, sale, assignment, pledge, encumbrance, hypothecation or other disposition, irrespective of whether any of the foregoing are effected voluntarily or involuntarily, or by operation of law or otherwise, or whether *inter vivos* or upon death.

#### **ARTICLE 4**

## NATURE OF BUSINESS

The purpose for which the Company is formed is to commercially exploit the Polymer Energy Technology throughout the Territory and to engage in any lawful act or activity for which limited liability companies may be formed under the Act in order to accomplish such purpose.

## ARTICLE 5

### NAMES AND ADDRESSES OF SHAREHOLDERS

The names and addresses of the Shareholders are set forth in **Schedule A** attached hereto. **Schedule A** shall be amended from time to time to reflect the admission of additional Shareholders into the Company.

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## ARTICLE 6

### TERM

The term of this Agreement shall commence as of the date first set forth above and shall be perpetual unless sooner terminated as hereinafter provided.

## ARTICLE 7

### PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company shall be in Cuyahoga County, Ohio, or such other place or places as the Managers may designate, either within or without the State of Ohio.

## ARTICLE 8

### CAPITALIZATION OF THE COMPANY

**8.01 Initial Capitalization.** The initial Shares of the Company shall be owned by those Persons and in such amounts as are set forth in **Schedule A** attached hereto.

**8.02 Additional Capital Contributions.** In the event that the Managers shall determine that additional Capital Contributions ("Additional Capital Contributions") are necessary for the Company through the issuance of additional Shares, then the Managers shall determine the price per Share, the number of Shares to be issued and the other terms thereof. Shareholders shall have the opportunity to make Additional Capital Contributions in proportion to their respective equity interests at the time. Equity interests of Shareholders who decline to make Additional Capital Contributions will be diluted by the number of new Shares issued as a consequence of Additional Capital Contributions by existing Shareholders or new Shareholders.

## ARTICLE 9

### RESTRICTIONS ON TRANSFER

**9.01 Prohibited Transfers.** No Shareholder shall Transfer any Shares voluntarily or involuntarily (including, without limitation, disposition by way of bankruptcy, execution, hypothecation, seizure and sale by legal process, operation of law or otherwise), to any Person except and only in strict accordance with the terms, covenants and conditions, and subject to the restrictions, obligations, options and limitations, set forth in this Agreement.

**9.02 Exclusion From Provisions of Article 9.** Nothing herein shall preclude or in any manner limit a Shareholder from transferring such Shareholder's interest to the Company, or any part thereof, to an Affiliate of the transferring Shareholder or to another Shareholder or from transferring such Shareholder's interest to such Shareholder's spouse, children or to a trust for the benefit of any of such Persons; provided, however, that the transferee shall become a party to this Agreement and shall be bound by all of the provisions hereof. Any such transfer may be made without compliance with Sections 9.01, 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of this Agreement.

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**9.03 Notation on Company's Books.** No Transfer of Shares shall be effective until (i) noted on the Company's books; and (ii) the transferee has agreed in writing to be bound by the terms and conditions of this Agreement.

**9.04 Notice of Offer.** For purposes of this Agreement, the term "Qualified Offer" shall mean a legally enforceable written offer from a Person financially capable of carrying out its terms. In the event that a Shareholder ("Offering Shareholder") shall receive and desire to accept a Qualified Offer to Transfer all or any portion of the Shares held by the Offering Shareholder, then the Offering Shareholder shall promptly give notice to the Company of the existence of such Qualified Offer and include a complete copy of such Qualified Offer in such notice. The notice shall constitute an offer from the Offering Shareholder to sell all of the Shares which are the subject of the Qualified Offer (the "Offered Shares") to the Company and to the other Shareholders at a purchase price and upon terms which are the same as the purchase price and other terms set forth in the Qualified Offer.

**9.05 Right of First Refusal.** The Company shall have thirty (30) days from its receipt of the aforesaid notice in which to accept the Offering Shareholder's offer described in Section 9.04. Acceptance by the Company shall be by notice given in the manner described in Section 23.12 of this Agreement. Notwithstanding the foregoing, no acceptance by the Company shall be deemed to be valid if: (i) the Company shall have elected to acquire less than all of the Offered Shares; and (ii) the other Shareholders shall not have elected to acquire the balance of the Offered Shares pursuant to Section 9.06.

**9.06 Offer to Other Shareholders.** In the event that the Company shall not have elected to acquire all of the Offered Shares within the thirty (30) day period described in Section 9.05, then the other Shareholders shall have thirty (30) days from the expiration of the Company's thirty (30) day option period in

which to acquire all, but not less than all, of the balance of the Offered Shares. The Company shall give notice thereof to the Offering Shareholder and the other Shareholders.

**9.07 Payment of Purchase Price.** The purchase price for Shares purchased by the Company or a Shareholder pursuant to this Article shall be paid in the manner set forth in the Qualified Offer.

**9.08 Sale to Third Party.** In the event that both the Company and the other Shareholders shall not elect, in the aggregate, to purchase all of the Offered Shares, then the Offering Shareholder may sell all of the Offered Shares pursuant to the terms of the Qualified Offer, subject to consent of the Managers as set forth in Section 9.09. In the event that the sale pursuant to the Qualified Offer shall not be consummated within thirty (30) days after the expiration of the thirty (30) day option period granted to the other Shareholders pursuant to Section 9.06, then the provisions of this Agreement shall again apply to the Offered Shares as if no Qualified Offer had ever been made.

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**9.09 Consent of Managers.** No Transfer of Shares to a third party shall be effective unless the Managers shall consent to such Transfer, which consent shall not be unreasonably withheld. In determining whether to grant their consent, the Managers may take the following factors into consideration: (i) the reputation of the proposed transferee; (ii) the financial ability of the proposed transferee to make Additional Capital Contributions in the future; (iii) the ability and willingness of the proposed transferee to assist the Company in its future growth by reason of such person's contacts, experience and other attributes; (iv) the tax consequences, if any, to the Company that would occur as a result of the Transfer; and (v) compliance with all securities laws and regulations applicable to the proposed Transfer.

**9.10 Applicability to Transferees.** A transferee who is not a Party to this Agreement but who acquires any Shares from a Shareholder following compliance with this Agreement shall thereafter be deemed to be a Shareholder and a Party with respect to the Shares so acquired.

**9.11 Transfer in Violation of this Agreement** Any sale, transfer or other disposition of Shares by a Shareholder to any Person in violation of the provisions of this Agreement is prohibited and shall be null, void and of no effect.

**9.12 Endorsement of Share Certificates.** The Company shall endorse upon each certificate evidencing any Shares a legend in substantially the following form:

The transfer of the Shares represented by this certificate is subject to certain restrictions under the terms of the Company's Operating Agreement which is on file in the office of the Company. Any attempt to transfer in violation of the provisions of said Agreement shall be null and void and of no effect. The Company will mail to any shareholder a copy of the aforementioned restrictions without charge within five (5) days after receipt of written request therefor."

The Company shall not transfer any Shares other than in accordance with this Agreement. If, for any reason, any of the Shares are no longer subject to the restrictions and provisions hereof, the Company shall, upon request of a Shareholder, issue a new certificate or certificates for such Shares without such endorsement upon surrender to the Company of the certificate or certificates containing such endorsement.

## **ARTICLE 10**

### **ADDITIONAL SHAREHOLDERS**

Any Person may, with the consent of the Managers, become a Shareholder upon the issuance by the Company of Shares to such Person for such consideration as the Managers shall determine. No new Shareholders shall be entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company. The Managers may, at their option, at the time a Shareholder is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to a new Shareholder for that portion of the Company's tax year in which a Shareholder was admitted in accordance with the provisions of Section 706(d) of the Code and the Regulations promulgated thereunder.

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## **ARTICLE 11**

### **DISTRIBUTIONS**

**11.01 Tax Distributions.** The Managers shall have discretion to authorize Tax Distributions as described in this Section after taking into account the Cash Available and future cash requirements. Subject to the foregoing, if the Company reports taxable income (for federal income tax purposes) for a Fiscal Year, a distribution shall be made (the "Tax Distribution") to the Distributees with respect to such year in an aggregate amount equal to the result obtained when such taxable income is multiplied by the maximum federal individual income tax rate (the "Tax Rate") for such year. The Tax Distribution shall be calculated periodically on a good faith estimated basis by the Managers in order for Company to make quarterly interim Tax Distributions prior to the dates on which individuals are generally required to make Federal estimated tax payments. If the sum of any distributions (including Interim Tax Distributions) made to the Distributees pursuant to this Article 11 during any Fiscal Year to which this Section 11.01 applies is less than the amount of the Tax Distribution required for such year (a "Tax Distribution Shortfall"), then on or before March 31 of the following year, the Company shall distribute to the Distributees an aggregate amount equal to such Tax Distribution Shortfall. In determining whether a Tax Distribution Shortfall exists with respect to any Fiscal Year, there shall be excluded any distribution during such year which was made because of a Tax Distribution Shortfall for the preceding year. Each distribution made pursuant to this Section 11.01 shall be distributed to the Distributees pro rata in accordance with their ownership of Shares.

**11.02 Limitation on Tax Distributions.** Notwithstanding the provisions of Section 11.01 hereof, the Company shall not be required to borrow money in order to make Tax Distributions except as determined by the Managers in their sole discretion.

**11.03 Discretionary Distributions.** Except as otherwise provided herein, any Cash Available shall be distributed to the Distributees pro rata in accordance with their ownership of Shares at such times as the Managers shall determine.

**11.04 Dissolution.** Upon the occurrence of a Dissolution Event, the Managers shall liquidate the Company Property and apply and distribute the proceeds thereof as follows:

(a) The proceeds shall first be applied to the payment of the liabilities of the Company (including the repayment of any loans or advances made by Shareholders) and the expenses of liquidation. The Managers may retain such amounts as they deem reasonably necessary as a reserve for any contingent liabilities or obligations of the Company. A reasonable time shall be allowed for the orderly liquidation of Company Property and the discharge of liabilities to creditors so as to enable the Managers to minimize losses normally attendant upon a liquidation.

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(b) Any and all proceeds remaining after paying the liabilities referred to in subparagraph (a) above shall be distributed to the Distributees in accordance with their Capital Accounts, after giving effect to all contributions, distributions and allocations for all periods.

**11.05 Record Date.** Any distributions to be made by the Company (whether a Tax Distribution from Cash Available or by reason of the liquidation of the Company) will be distributed to those Distributees who are the owners of record of Shares on the date each such distribution is made.

**11.06 No Withdrawals.** No Distributee shall be entitled to make withdrawals from his Capital Account except to the extent of distributions made under this Article 11.

## ARTICLE 12

### ALLOCATIONS OF PROFITS AND LOSSES

Profits and Losses shall be allocated among the Distributees in accordance with the Tax Appendix attached hereto as **Schedule B** and made a part hereof.

## ARTICLE 13

### BOOKS AND RECORDS

**13.01 Record Keeping Requirements.** The Company shall keep full and complete books and records in accordance with the Act. The books and records of the Company shall be kept and maintained at its offices or, subject to the provisions of the Act, at such other place or places as the Company may from time to time determine. The Company's books shall be kept on the cash basis, unless a different accounting method is permitted under applicable law and the Managers elect to employ such method.

**13.02 Right to Examine Records.** Any Shareholder shall have the right to examine the books, records and financial accounts of the Company at any reasonable time specified by the Company and for any purpose reasonably related to the ownership of such Person's Shares. In lieu of the examination of such records, the Company may, at such Shareholder's expense, provide copies of the requested records to such Shareholder.

**13.03 Confidential Information.** Notwithstanding any other provision of this Agreement, the Company has the right to keep confidential from its Shareholders for a reasonable period of time any information which the Company reasonably considers to be in the nature of trade secrets or any other information as follows:

- (i) information the disclosure of which the Company in good faith reasonably believes is not in the best interests of the Company or could damage the Company or its business; and
- (ii) information that the Company is required by law or by agreement with a third person to keep confidential.

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**13.04 Tax Information.** As promptly as reasonably practical after the end of each Fiscal Year, the Company shall transmit to all Shareholders, such information regarding the Company as is necessary to permit the Shareholders to prepare their federal income tax returns. The Company shall also transmit to Shareholders, when available, the financial statements of the Company for such Fiscal Year.

**13.05 Bank Accounts.** All of the Company's funds shall be deposited in its name in such bank account or accounts as shall be designated from time to time by the Managers. Withdrawals from such account or accounts shall be made by checks or other appropriate instruments signed by the Chief Executive Officer of the Company and such other officer(s) or Person(s) as the Board of Directors shall from time to time designate.

## ARTICLE 14

### RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

**14.01 No Personal Liability.** Except as otherwise agreed in writing by a Shareholder, a Shareholder shall not be personally liable for any debts, liabilities or obligations of the Company, whether to the Company, to any Shareholder or to the creditors of the Company, beyond (i) the amount contributed by such Shareholder to the capital of the Company, (ii) such Shareholder's share of the accumulated but undistributed Profits of the Company, if any, and (iii) the amount of any distribution (including the return of any Capital Contribution) made to such Shareholder required to be returned to the Company pursuant to the Act.

**14.02 Shareholder Duty.** For purposes of determining the various duties owed by the majority Shareholders of the Company, including, but not limited to, the duty owed by a majority Shareholder to a minority Shareholder, the common law and statutory law of the State of Ohio with respect to corporations shall govern.

**14.03 Priority and Return of Capital.** Except as may be otherwise expressly provided in this Agreement, no Shareholder shall have priority over any other Shareholder, either as to the return of Capital Contributions or as to Profits, Losses or distributions; provided, however, that this Article shall not apply to loans (as distinguished from Capital Contributions) which a Shareholder has made to the Company.

**14.04 Quorum.** Except as otherwise provided by law or by the Articles of Organization or the Joint Venture Agreement, the holders of a majority of the Shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the Shareholders for the transaction of business. If, however, such quorum shall not be present or represented at any meeting of the Shareholders, the Shareholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Shareholder entitled to vote at the meeting.

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**14.05 Voting.** Unless otherwise required by law, the Articles of Organization, or the Joint Venture Agreement or this Agreement, any question brought before any meeting of Shareholders shall be decided by the vote of the holders of a majority of the Shares represented and entitled to vote thereat. The Shareholders shall have exclusive voting power in all matters as to which approval of the Shareholders is expressly required by this Agreement or the Act. Each Shareholder represented at a meeting of Shareholders shall be entitled to cast one vote for each Share entitled to vote thereat held by such Shareholder. Such votes may be cast in person or by proxy, but no proxy shall be voted more than one (1) year from its date, unless such proxy provides for a longer period. The Managers, in their discretion, or the officer of the Company presiding at a meeting of Shareholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

**14.06 Consent of Shareholders in Lieu of Meeting.** Unless otherwise provided in the Articles of Organization or the Joint Venture Agreement, any action required or permitted to be taken at any meeting of Shareholders may be taken without a meeting, without prior notice and without a vote if a consent in writing, setting forth the action so taken, shall be signed by the holders of the number of issued and outstanding Shares required pursuant to Section 14.05 to take such action. If such action is taken by the written consent of the holders of less than all of the issued and outstanding Shares of the Company, a notice of the action so taken shall promptly be provided in the manner required by Section 29.12 of this Agreement to all Shareholders who have not provided their written consent.

## **ARTICLE 15**

### **RIGHTS AND DUTIES OF MANAGERS**

**15.01 Rights of Managers.** The Company shall be managed by a Board of Managers. The Managers as a group shall direct, manage and control the business of the Company to the best of their ability. Except for situations in which the approval of the Shareholders is expressly required by this Agreement or by non-waivable provisions of applicable law or as otherwise provided in this Agreement or in the Joint Venture Agreement, the Board of Managers shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business, in all respects in accordance with this Agreement. No Shareholder shall have any power or authority to bind the Company unless the Shareholder has been authorized by the Board of Managers to act as an agent of the Company.

**15.02 Number and Election of Managers.** The Board of Managers shall consist of six (6) Persons, or such other number of Managers as the Parties may agree. Managers do not need to be Shareholders. The designation and election of Managers and substitute Managers shall be governed by the terms of the Joint Venture Agreement.

**15.03 Chairman and Vice Chairman.** Maciej Zalewski is hereby designated as Chairman of the Board of Managers of the Company, and Philip M. Lynch is hereby designated and elected as Vice Chairman of the Board of Managers of the Company. The Chairman shall serve at the pleasure of the Shareholders other than NTI, and the Vice Chairman shall serve at the pleasure of NTI. The responsibilities and authorities of the Chairman and the Vice Chairman shall be determined by the Board of Managers from time-to-time.

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**15.04 Meetings.** The Board of Managers shall manage the affairs of the Company. The Board of Managers of the Company may hold meetings, both regular and special, either within or without the State of Ohio. Regular meetings of the Board of Managers may be held at such time and at such place as may from time to time be determined by the Managers. Special meetings of the Board of Managers may be called by the Chairman, or Vice Chairman or by any two Managers. Notice thereof stating the place, date and hour of the meeting shall be given to each Manager either by mail not less than forty-eight hours before the date of the meeting, by telephone or fax on twenty-four hours notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate under the circumstances. Any Manager may waive, in writing, the requirement of notice contained herein with respect to himself.

**15.05 Quorum.** Except as may be otherwise specifically provided by law, the Articles of Organization or this Agreement, at all meetings of the Board of Managers, a majority of the Managers shall constitute a quorum for the transaction of business and the act of a majority of the Managers present at any meeting at which there is a quorum shall be the act of the Board of Managers. If a quorum shall not be present at any meeting of the Board of Managers, the Managers present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

**15.06 Actions by the Managers.** Unless otherwise provided by the Articles of Organization or this Agreement, any action required or permitted to be taken at any meeting of the Board of Managers may be taken without a meeting, if all the Managers consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Managers.

**15.07 Meetings by Means of Conference Telephone.** Unless otherwise provided by the Articles of Organization or this Agreement, the Managers may participate in a meeting of the Board of Managers by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other. Participation in a meeting pursuant to this Section 15.07 shall constitute presence in person at such meeting.

**15.08 Compensation.** The Managers may be reimbursed their reasonable expenses, if any, of attendance at each meeting of the Board of Managers, but they shall not be paid any other compensation or remuneration in consideration of their services as Managers.

**15.09 Interested Managers.** No contract or transaction between the Company and one or more of its managers or officers, or between the Company and any other corporation, partnership, association, or other entity in which one or more of its directors, officers or equity owners are managers, officers, directors or equity owners shall be void or voidable solely for this reason, or solely because the manager or officer is present at or participates in the meeting of the Managers

which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Managers and the Managers in good faith authorize the contract or transaction by the affirmative votes of a majority of the disinterested Managers, even though the disinterested Managers be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Shareholders not interested in the contract or transaction; or (iii) the contract or transaction is fair as to the Company and the Shareholders as of the time it is authorized, approved or ratified by the Managers or the Shareholders. Common or interested Managers may be counted in determining the presence of a quorum at a meeting of the Managers which authorizes the contract or transaction.

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**15.10 Liability for Certain Acts.** The Managers shall perform their duties in good faith, in a manner they reasonably believe to be in or not opposed to the best interests of the Company, and with the care that an ordinarily prudent person in a similar position would use under similar circumstances. A Manager shall not be found to have violated the foregoing unless it is proved, by clear and convincing evidence, in any action brought against the Manager, including but not limited to, an action involving or affecting a termination or potential termination of the Manager's service to the Company, that the Manager has not acted in good faith, in a manner the Manager reasonably believes to be in or not opposed to the best interests of the Company, or with the care that an ordinarily prudent person in a similar position would use under similar circumstances. A Manager shall be liable in damages for any action the Manager takes or fails to take as a Manager only if it is proved by clear and convincing evidence in a court of competent jurisdiction, that the action or failure to act involved an act or omission undertaken with deliberate intent to cause injury to the Company or undertaken with a reckless disregard for the best interests of the Company. A Manager does not, in any way, guarantee the return of the Capital Contributions or a profit for the Shareholders from the operations of the Company.

**15.11 Right to Rely on Opinions and Reports** In performing their duties or exercising their authority, Managers are entitled to rely on information, opinions, reports, or statements, including, but not limited to, financial statements and other financial data, that are prepared or presented by any of the following Persons:

- (i) one or more Shareholders, Managers, Officers or employees of the Company, who the Manager reasonably believes are reliable and competent in the matters prepared or presented; and
- (ii) legal counsel, certified public accountants, appraisers, consultants or other Persons as to matters that the Manager reasonably believes are within the Person's professional or expert competence.

**15.12 Managers and Shareholders Have No Exclusive Duty to the Company.** The Managers shall not be required to manage the Company as their sole and exclusive function and the Managers may have other business, trade, investment or employment interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Shareholders shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of the Managers and/or any Shareholders or to the income or proceeds derived therefrom. Neither the Managers nor any Shareholder shall incur any liability to the Company or to any of the Shareholders as a result of engaging in any other business or venture.

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**15.13 Indemnity of the Managers, Employees and Other Agents.** The Company shall indemnify and defend the Managers and Officers and make advances for expenses to the maximum extent permitted by law. The Company shall indemnify its employees and other agents who are not Managers or Officers to the maximum extent permitted by law, provided that such indemnification in any given situation is approved by the Managers.

**15.14 Removal of Managers.** Any Manager may be removed at any time by the affirmative vote of the Shareholders. In the event of the removal of a Manager, the vacancy created thereby shall be filled in accordance with the provisions of Section 15.02 hereof.

**15.15 Appointment of Officers.** The Board of Managers shall have authority to select and designate Officers for the Company who need not be Managers or Shareholders except that the Chairman and the Vice Chairman shall both be Managers. The Officers shall perform such duties and shall have such powers as may from time to time be assigned to them by the Board of Managers. The Board of Managers may delegate to any Officer of the Company the power to choose other Officers and to prescribe their respective duties and powers

## ARTICLE 16

[RESERVED]

## ARTICLE 17

### DISSOLUTION OF THE COMPANY

**17.01 Dissolution Events.** The Company shall be dissolved only upon the occurrence of any of the following events ("Dissolution Events"):

- (i) the issuance of a court decree ordering the dissolution of the Company;
- (ii) the termination of the Joint Venture Agreement pursuant to its terms; or
- (iii) action by the written consent of all the Shareholders authorizing dissolution of the Company.

The Shareholders hereby agree that, notwithstanding any provision of the Act, the Company shall not dissolve prior to the occurrence of a Dissolution Event. The death, incompetency, bankruptcy, or removal of a Manager or Shareholder shall not cause the dissolution of Company. If it is determined, by a court of competent jurisdiction, that the Company has dissolved prior to the occurrence of a Dissolution Event, the Shareholders hereby agree to continue the business of the Company without a winding up or liquidation.

**17.02 Death or Incompetency.** If a Shareholder who is an individual dies or a court of competent jurisdiction adjudges such Shareholder to be incompetent to manage his/her person or property, the Shareholder's executor, administrator, guardian, conservator, or other legal representative ("Successor") may exercise all of the Shareholder's rights for the purpose of settling his estate or administering the Shareholder's property; provided, however, that except as otherwise provided in this Agreement, the Successor shall not be considered a Shareholder and shall have no right to vote.

**17.03 No Recourse.** A Shareholder shall look solely to Company Property for all distributions with respect to the Company and for the return of his Capital Contribution and shall have no recourse therefor against any other Shareholder or Manager. The Shareholders shall not have any right to demand or to receive property other than cash upon dissolution and termination of the Company or to demand the return of their Capital Contributions prior to dissolution and termination of the Company.

**17.04 Winding Up.** Upon the occurrence of a Dissolution Event, the Managers shall proceed with the winding up of the affairs of the Company and Company Property shall be applied and distributed in accordance with the provisions of Section 11.04 of this Agreement and Section 17.9 of the Joint Venture Agreement. If the Managers so determine, a pro rata portion of the distributions that would otherwise be made to the Shareholders pursuant to said Section 11.04 may be:

- (i) distributed to a trust established for the benefit of the Shareholders for the purposes of liquidating Company Property, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Shareholders arising out of or in connection with the Company; the assets of any such trust to be distributed to the Shareholders from time to time, in the same proportions as would otherwise have been distributed to the Shareholders pursuant to this Agreement; or
- (ii) withheld to provide a reasonable reserve for the Company's liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company, provided that such withheld amounts shall be distributed to the Shareholders as soon as practicable.

**17.05 No Technical Liquidation.** Notwithstanding any other provision of this Agreement, in the event the Company is liquidated within the meaning of IRS Regulations Section 1.704-1(b)(2)(ii)(g) but no Dissolution Event has occurred, the Company Property shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, the Company shall be deemed to have distributed Company Property in kind to the Shareholders, who shall be deemed to have assumed and taken subject to all of the Company's liabilities. Immediately thereafter, the Shareholders shall be deemed to have recontributed the Company Property in kind to the Company, which shall be deemed to have assumed and taken subject to all such liabilities.

**17.06 Statement Furnished.** Following the winding up of the affairs of the Company, each of the Shareholders shall be furnished with a statement which shall set forth the assets and liabilities of the Company as of the date of complete liquidation. Upon compliance by the Managers with the foregoing, the Shareholders shall cease to be such, and the Managers, or the Company, shall execute and cause to be filed a certificate of dissolution of the Company and any and all other documents necessary with respect to termination and dissolution.

## ARTICLE 18

### SHARE CERTIFICATES

The Board of Managers may, in its discretion, issue certificates certifying the number of Shares owned by each Shareholder.

## ARTICLE 19

### DISPUTE RESOLUTION

Any dispute arising out of or relating to this Agreement shall be resolved in accordance with the procedures specified in Article 19 of the Joint Venture Agreement.

## ARTICLE 20

### AMENDMENT OF OPERATING AGREEMENT

**20.01 Clarification Amendments.** This Agreement may be amended by the Managers without the approval of any Shareholder if such amendment is solely for the purpose of clarification, does not change the substance hereof, and the Company has obtained the opinion of its counsel to that effect.

**20.02 Amendments Admitting Shareholders.** This Agreement may be amended by the Managers without the approval of any Shareholder if such amendment is for the purpose of admitting or substituting Shareholders and the admission or substitution of such Shareholders has been approved in accordance with the terms of this Agreement.

**20.03 Amendments to Satisfy Changes in Law.** This Agreement may be amended by the Managers without the approval of any Shareholder if such amendment is, in the opinion of counsel for the Company, necessary or appropriate to satisfy requirements of the Code or the Regulations with respect to partnerships or limited liability companies or of any federal or state securities laws or regulations.

**20.04 Other Amendments.** Except as otherwise specifically provided in this Article 20, amendments to this Agreement or the Articles of Organization shall require the written consent of the Shareholders holding at least two-thirds (2/3) of the Shares of the Company; provided, however, that with respect to an amendment to any provision of this Agreement which requires the consent of a proportion of the Shares greater than two-thirds (2/3), the consent of such proportion shall be required to modify or amend such provision. The foregoing requirement of written consent may be granted by a favorable vote of the necessary majority at a meeting of Shareholders called for that purpose.

## ARTICLE 21

### MERGER, CONSOLIDATION AND SALE OF ASSETS

**21.01 Vote.** Any merger or consolidation of the Company pursuant to Sections 1705.36 or 1705.37 of the Act, and any transaction which would result in the sale of all or substantially all of the assets of the Company, must be approved by the affirmative vote of a majority of the Managers and by the affirmative vote of Shareholders owning at least two-thirds (2/3) of the Shares.

**21.02 Dissenter's Rights.** The transactions described in Section 21.01 above shall give rise to dissenter's rights to any Shareholder who did not vote to approve such transaction and who takes such other action as may be required to perfect and preserve such dissenter's rights pursuant to Section 1705.40 through 1705.43 of the Act, the terms of which are incorporated herein by reference.

## ARTICLE 22

### MISCELLANEOUS

**22.01 No Partnership Intended for Non-Tax Purposes.** The Shareholders formed the Company pursuant to the Act, and expressly did not and do not intend to form a partnership or limited partnership. The Shareholders do not intend to be partners as to one to another, or partners as to any third party.

**22.02 Rights of Creditors and Third Parties Under This Agreement.** This Agreement is entered into among the Shareholders for the exclusive benefit of the Company, its Shareholders and their successors and permitted assigns. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by Section 1705.19 of the Act, no creditor or third party shall have any rights under this Agreement or any agreement between the Company and any Shareholder with respect to any Capital Contribution or otherwise.

**22.03 Entire Agreement.** This Agreement, together with the Joint Venture Agreement, constitutes the entire agreement between the parties relating to the subject matter hereof. It supersedes any prior agreement or understandings between them relating to the subject matter hereof, and it may not be modified or amended in any manner other than as set forth herein. This Agreement must be read in connection with the Joint Venture Agreement, and in the event of any inconsistency between the terms of this Agreement and the terms of the Joint Venture Agreement, the terms of the Joint Venture Agreement shall prevail.

**22.04 Governing Law.** This Agreement and the rights of the parties hereunder shall be governed by and interpreted in accordance with the local laws of the State of Ohio.

**22.05 Captions.** Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision thereof.

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**22.06 Gender.** Where necessary or appropriate to the meaning hereof, the singular and the plural shall be deemed to include each, and the masculine, the feminine and the neuter shall be deemed to include each other.

**22.07 Severability.** If a judicial determination is made that any of the provisions of this Agreement constitute an unreasonable or otherwise unenforceable restriction against any Party, such determination shall not affect the validity of the remaining provisions. In the event that a provision shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid.

**22.08 Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, personal representatives, successors and permitted assigns. The Company is also intended to be a third party beneficiary of the agreements of the Parties set forth in this Agreement.

**22.09 Modification and Waiver.** Any of the terms or conditions of this Agreement may be waived in writing at any time by the Party that is entitled to the benefits thereof. No waiver of any provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar).

**22.10 Further Cooperation.** From and after the date of this Agreement, the Parties will each take such action and deliver such documents as shall be reasonably necessary or appropriate to enable all parties to effect compliance with the terms of this Agreement and to carry out the true intent and purposes hereof.

**22.11 Counterparts.** This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

**22.12 Designation of Tax Matters Partner.** NTI is hereby designated as the "tax matters partner" of the Company pursuant to Section 6231(a)(7) of the Code.

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IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION,  
a Delaware USA corporation

By/s/ Philip M. Lynch

\_\_\_\_\_  
Title Chief Executive Officer

/s/ Zbigniew Tokarz

**ZBIGNIEW TOKARZ, TRUSTEE**  
U/A DATED JUNE 26, 2003

/s/ Maciej Zalewski

**MACIEJ ZALEWSKI, TRUSTEE**  
U/A DATED JUNE 26, 2003

**ATAGENCER LLC,**  
an Ohio limited liability company

By /s/ Dr. Mehmet A. Gencer

Title President

**POLYMER ENERGY, LLC**

**Operating Agreement Counterpart Signature Page**

The undersigned, desiring to become a Shareholder and enter into the Operating Agreement ("Operating Agreement") of **POLYMER ENERGY, LLC** (the "Company"), hereby executes this Shareholder Signature Page to be attached to the Operating Agreement and agrees to all the terms and provisions thereof and to be bound thereby. The undersigned hereby constitutes and appoints \_\_\_\_\_ or \_\_\_\_\_, with full power of substitution, his/her true and lawful attorney in his/her name, place and stead to make, execute, sign, acknowledge, swear to, deliver, record and file any documents or instruments which may be considered necessary or desirable by the Managers to carry out the provisions of the Operating Agreement, including without limitation, an amendment or amendments to the Operating Agreement for the purpose of adding the undersigned and others as Shareholders in the Company as contemplated by the Operating Agreement (which amendment(s) the undersigned hereby joins in and executes, hereby authorizing this Shareholder Signature Page to be attached to any such amendment(s)) and of otherwise amending said Operating Agreement, from time to time. The power of attorney hereby granted shall be deemed to be coupled with an interest and shall be irrevocable and shall survive the death or incompetency of the undersigned. Execution of this Shareholder Signature Page shall constitute execution of the Operating Agreement, and when such page is attached thereto, shall become a part thereof.

IN WITNESS WHEREOF, the undersigned has executed this Shareholder Signature Page to the Operating Agreement of the Company as of \_\_\_\_\_.

**SHAREHOLDER:**

No. of Shares: \_\_\_\_\_

Witnesses:

\_\_\_\_\_  
(Address--See Note Below)

\_\_\_\_\_  
(City State Zip Code)

(NOTE: The address given above must be the residence or office address of the Shareholder.)

**SCHEDULE A**

**LIST OF SHAREHOLDERS**

<b>Name and Address</b>	<b>Percentage Ownership</b>	<b>Number of Shares</b>
Northern Technologies International Corporation 23205 Mercantile Road Beachwood, Ohio 44122 Attn: Chairman	50.00%	5,000 sh.
Zbigniew Tokarz, Trustee U/A Dated June 26, 2003 c/o Charles T. Weible Weible & Associates Co. 3505 E. Royalton Road, Suite 150 Broadview Heights, OH 44147-2994	25.00%	2,500 sh.

Maciej Zalewski, Trustee  
U/A Dated June 26, 2003  
c/o Charles T. Weible  
Weible & Associates Co.  
3505 E. Royalton Road, Suite 150  
Broadview Heights, OH 44147-2994

12.50% 1,250 sh.

Atagencer, LLC  
10988 Tanager Trail  
Brecksville, Ohio 44141

12.50% 1,250 sh.

**Total** **100.00%** **10,000 sh.**

## SCHEDULE B

### **POLYMER ENERGY, LLC**

#### Tax Appendix to Operating Agreement

This Tax Appendix is attached to and is a part of the Operating Agreement of Polymer Energy, LLC (the "Agreement"). The provisions of this Appendix are intended to comply with the requirements of Regulations Sections 1.704-1(b)(2)(iv) and 1.704-2 with respect to allocations of Profits and Losses, and shall be interpreted and applied accordingly.

#### SECTION 1 - DEFINITIONS.

For purposes of this Appendix, the capitalized terms listed below shall have the meanings indicated. Capitalized terms not listed below and not otherwise defined in this Appendix shall have the meanings specified in the Agreement.

1.01 "Adjusted Capital Account Deficit" means, with respect to any Shareholder, the deficit balance, if any, in such Shareholder's Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Shareholder is obligated by this Agreement to restore to the Company or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6) of the Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

1.02 "Book Value" means, with respect to any asset of the Company, such asset's adjusted basis for federal income tax purposes, except as follows:

(i) The initial Book Value of any asset contributed by a Shareholder to the Company shall be the gross fair market value of such asset.

(ii) The Book Value of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Directors in accordance with Code Section 7701(g), as of the following times: (a) the acquisition of an additional share of Shares in the Company by any new or existing Shareholder in exchange for more than a de minimis Capital Contribution; (b) the distribution by the Company to a retiring or continuing Shareholder as consideration for a share of Shares in the Company of more than a de minimis amount of money or other Company property; and (c) the liquidation of the Company.

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(iii) If the Book Value of an asset has been determined or adjusted pursuant to paragraph (i) or (ii) above of this Section 1.02, such Book Value shall thereafter be adjusted for the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

1.03 "Capital Account" means, with respect to any Shareholder, the Capital Account maintained for such Shareholder in accordance with the following provisions:

(i) To each Shareholder's Capital Account there shall be credited such Shareholder's Capital Contributions, such Shareholder's distributive share of Profits and any items in the nature of income or gain which are allocated to him pursuant to the Agreement, and the amount of any Company liabilities assumed by such Shareholder or which are secured by any Company Property distributed to such Shareholder.

(ii) To each Shareholder's Capital Account there shall be debited the amount of cash and the value of any Company Property distributed to such Shareholder pursuant to any provision of this Agreement, such Shareholder's distributive share of Losses and any items in the nature of expenses or losses that are allocated to him pursuant to the Agreement, and the amount of any liabilities of such Shareholder assumed by the Company or which are secured by any property contributed by such Shareholder to the Company.

(iii) In the event any interest in the Company is transferred in accordance with the terms of the Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

(iv) In determining the amount of any liability for purposes of subparagraphs (a) and (b) of this Section 1.3, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and any other provisions of this Appendix and/or the Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Directors determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits

relating to liabilities that are secured by contributed or distributed property or that are assumed by the Company or the Shareholders), are computed in order to comply with such Regulations, the Directors may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Shareholder upon the dissolution of the Company. The Directors also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Shareholders and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events (for example, the acquisition by the Company of oil or gas properties) might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

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1.04 "Company Minimum Gain" has the meaning set forth in Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

1.05 "Depreciation" means, for each taxable year or other period, an amount equal to the depreciation, amortization or other cost recovery deduction, as computed for federal income tax purposes, allowable with respect to an asset of the Company for such year or other period, except that if the Book Value of a Company asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Book Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis.

1.06 "Shareholder" means a "Member" (as that term is defined in the Act).

1.07 "Shareholder Minimum Gain" means an amount, with respect to each Shareholder Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Shareholder Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(2) of the Regulations.

1.08 "Shareholder Nonrecourse Debt" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

1.09 "Shareholder Nonrecourse Deductions" has the meaning set forth in Section 1.704-2(i)(1) and 1.704-2(i)(2) of the Regulations.

1.10 "Nonrecourse Deductions" has the meaning set forth in Section 1.704-2(b)(1) of the Regulations.

1.11 "Nonrecourse Liability" has the meaning set forth in Section 1.704-2(b)(3) of the Regulations.

1.12 "Profits" and "Losses" means for each taxable year or other period an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) any income of the Company that is exempt from federal income tax shall be added to such taxable income or loss;

(ii) any expenditures of the Company not deductible in computing its taxable income and not properly chargeable to capital account (as described in and within the meaning of Code Section 705(a)(2)(B)) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1 (b)(2)(iv)(i) shall be subtracted from such taxable income or loss;

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(iii) if Company property is reflected on the Company's books at other than its adjusted tax basis, then in lieu of depreciation, amortization and other cost recovery deductions taken into account for federal income tax purposes, there shall be taken into account Depreciation for such year or other period, computed in accordance with the Regulations issued pursuant to Code Section 704(b);

(iv) any items that are specially allocated to a Shareholder pursuant to this Appendix shall not be taken into account in determining Profits and Losses; and

(v) for purposes of determining Profit or Loss upon the sale or other disposition of any Company Property, then in accordance with the Regulations under Code Section 704(b), the value of an asset properly reflected on the Company's books at the time of sale or other disposition shall be substituted for the property's adjusted tax basis if at the time of sale or disposition there is a variance in such value and adjusted tax basis.

Except as may be otherwise provided in this Appendix and/or the Agreement, all items that are components of Profits and Losses shall be divided among the Shareholders in the same ratio as they share Profits and Losses.

1.13 "Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such Regulations may be amended from time to time (including corresponding provisions of succeeding Regulations).

#### SECTION 2.01 - ALLOCATION OF PROFITS AND LOSSES.

After accounting for the special allocations of Section 2.02, the balance of Profits and all Losses shall be allocated among the Shareholders in proportion to their respective Ownership Interests.

#### SECTION 2.02 - SPECIAL ALLOCATIONS.

The following special allocations shall be made in the following order:

(a) Shareholder Nonrecourse Deductions. Any Shareholder Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Shareholder who bears the economic risk of loss with respect to the Shareholder Nonrecourse Debt to which such Shareholder Nonrecourse Deductions are attributable in accordance with Regulations 1.7042(i)(1).

(b) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated among the Shareholders pro rata in proportion to their ratio for sharing Profits or Losses for the taxable year. The “excess nonrecourse liabilities” (as defined in Regulations Section 1.752-3(a)) shall be allocated to the Shareholders in proportion to their respective Ownership Interests.

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(c) Company Minimum Gain Chargeback. Notwithstanding any other provision of the Agreement or of this Appendix, if there is a net decrease in Company Minimum Gain during any Fiscal Year, each Shareholder shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to the greater of (i) the portion of such Shareholder’s share of the net decrease in Company Minimum Gain, determined in accordance with Regulations Section 1.704-2(g), that is allocable to the disposition of Company Property subject to Nonrecourse Liabilities, determined in accordance with Regulations Section 1.704-2(f), or (ii) if such Shareholder would otherwise have an Adjusted Capital Account Deficit at the end of such year, an amount sufficient to eliminate such Adjusted Capital Account Deficit. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Shareholder pursuant thereto. The items to be so allocated shall be determined in accordance with Section 1.704-2(f) of the Regulations. This paragraph (c) is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith. To the extent permitted by such Section of the Regulations and for purposes of this paragraph (c) only, each Shareholder’s Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to this paragraph (c) with respect to such Fiscal Year and without regard to any net decrease in Shareholder Minimum Gain during such Fiscal Year.

(d) Shareholder Minimum Gain Chargeback. Notwithstanding any other provision of the Agreement or of this Appendix except Section 2.02(c), if there is a net decrease in Shareholder Minimum Gain attributable to a Shareholder Nonrecourse Debt during any Fiscal Year, each Shareholder who has a share of the Shareholder Minimum Gain attributable to such Shareholder Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such year (and, if necessary subsequent years) in an amount equal to the greater of (i) the portion of such Shareholder’s share of the net decrease in Shareholder Minimum Gain attributable to such Shareholder Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5) that is allocable to the disposition of Company Property subject to such Shareholder Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4), or (ii) if such Shareholder would otherwise have an Adjusted Capital Account Deficit at the end of such year, an amount sufficient to eliminate such Adjusted Capital Account Deficit. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Shareholder pursuant thereto. The items to be so allocated shall be determined in accordance with Section 1.704-2(i)(4) of the Regulations. This paragraph (d) is intended to comply with the minimum gain chargeback requirement in such Section of the Regulations and shall be interpreted consistently therewith. Solely for purposes of this paragraph (d), each Shareholder’s Adjusted Capital Account Deficit shall be determined prior to any other allocations pursuant to this paragraph (d) with respect to such Fiscal Year, other than allocations pursuant to Section 2.02(c) hereof.

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(e) Qualified Income Offset. In the event any Shareholder unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain shall be specially allocated to each such Shareholder in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Shareholder as quickly as possible, provided that an allocation pursuant to this paragraph (e) shall be made only if and to the extent that such Shareholder would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 2 have been tentatively made as if this paragraph (e) were not in this Appendix.

(f) Gross Income Allocation. If any Shareholder has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of (i) the amount such Shareholder is obligated to restore pursuant to any provision of the Agreement, and (ii) the amount such Shareholder is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Shareholder shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this paragraph (f) shall be made only if and to the extent that such Shareholder would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 2 have been made as if this paragraph (f) and Section 2.02(e) hereof were not in this Appendix.

(g) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b) (2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Shareholders in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

### SECTION 3 - CURATIVE ALLOCATIONS.

The “Regulatory Allocations” consist of the “Basic Regulatory Allocations,” as defined in Section 3(a) hereof, the “Nonrecourse Regulatory Allocations,” as defined in Section 3(b) hereof, and the “Shareholder Nonrecourse Regulatory Allocations,” as defined in Section 3(c) hereof.

(a) The “Basic Regulatory Allocations” consist of allocations pursuant to Sections 2.02(e), 2.02(f) and 2.02(g) hereof. Notwithstanding any other provision of this Appendix and/or the Agreement, other than the Regulatory Allocations, the Basic Regulatory Allocations shall be taken into account in allocating items of income, gain, loss and deduction among the Shareholders so that, to the extent possible, the net amount of such allocations of other items and the Basic Regulatory Allocations to each Shareholder shall be equal to the net amount that would have been allocated to each such Shareholder if the Basic Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence, allocations pursuant to this Section 3(a) shall only be made with respect to allocations pursuant to Section 2.02(g) hereof to the extent the Managers reasonably determine that such allocations will otherwise be inconsistent with the economic agreement among the parties to this Agreement.

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(b) The “Nonrecourse Regulatory Allocations” consist of all allocations pursuant to Sections 2.02(b) and 2.02(c) hereof. Notwithstanding any other provision of this Appendix and/or the Agreement, other than the Regulatory Allocations, the Nonrecourse Regulatory Allocations shall be taken into account in allocating items of income, gain, loss, and deduction among the Shareholders so that, to the extent possible, the net amount of such allocations of other items and the Nonrecourse Regulatory Allocations to each Shareholder shall be equal to the net amount that would have been allocated to each such Shareholder if the Nonrecourse Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence (i) no allocations pursuant to this Section 3(b) shall be

made prior to the Fiscal Year during which there is a net decrease in Company Minimum Gain, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Company Minimum Gain, and (ii) allocations pursuant to this Section 3(b) shall be deferred with respect to allocations pursuant to Section 2.02(b) hereof to the extent the Managers reasonably determine that such allocations are likely to be offset by subsequent allocations pursuant to Section 2.02(c)

(c) The "Shareholder Nonrecourse Regulatory Allocations" consist of all allocations pursuant to Sections 2.02(a) and 2.02(d) hereof. Notwithstanding any other provision of this Appendix and/or the Agreement, other than the Regulatory Allocations, the Shareholder Nonrecourse Regulatory Allocations shall be taken into account in allocating items of income, gain, loss, and deduction among the Shareholders so that, to the extent possible, the net amount of such allocations of other items and the Shareholder Nonrecourse Regulatory Allocations to each Shareholder shall be equal to the net amount that would have been allocated to each such Shareholder if the Shareholder Nonrecourse Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence (i) no allocations pursuant to this Section 3(c) shall be made with respect to allocations pursuant to Section 2.02(a) relating to a particular Shareholder Nonrecourse debt prior to the Fiscal Year during which there is a net decrease in Shareholder Minimum Gain attributable to such Shareholder Nonrecourse Debt, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Shareholder Minimum Gain, and (ii) allocations pursuant to this Section 3(c) shall be deferred with respect to allocations pursuant to Section 2.02(a) hereof relating to a particular Shareholder Nonrecourse Debt to the extent the Managers reasonably determine that such allocations are likely to be offset by subsequent allocations pursuant to Section 2.02(d) hereof. (d) The Managers shall have reasonable discretion, with respect to each Fiscal Year, to (i) apply the provisions of Sections 3(a), 3(b) and 3(c) hereof in whatever order is likely to minimize the economic distortions that might otherwise result from the Regulatory Allocations, and (ii) divide all allocations pursuant to Sections 3(a), 3(b) and 3(c) hereof among the Shareholders in a manner that is likely to minimize such economic distortions.

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#### SECTION 4 - SPECIAL RULES.

(a) Restatement of Book Value. In accordance with Regulation Section 1.704-1(b)(2)(iv)(f), the Managers may, upon the occurrence of the events specified in such Section of the Regulations, revalue the Company's property and assets (including intangible assets such as goodwill) as well as the Shareholders' Capital Accounts.

(b) Prorations. For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Managers using any permissible method under Section 706 of the Code and the Regulations thereunder.

(c) Increase for Company Minimum Gain and Shareholder Minimum Gain. Whenever under the provisions of this Appendix the Capital Account balances are to be first increased by a Shareholder's share of Company Minimum Gain and Shareholder Minimum Gain; such Capital Account shall be increased only once by such amounts, even though various paragraphs in such Sections require an increase.

#### SECTION 5 - TAX ALLOCATIONS: CODE SECTION 704(c).

(a) In General. In accordance with Code Section 704(c) and the Regulations thereunder, income, gain, loss, and deductions with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Shareholders so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Book Value (computed in accordance with Section 1.02 of this Appendix).

(b) Revaluation. If the Book Value of any Company asset is adjusted pursuant to Section 1.02 of this Appendix, subsequent allocations of income, gain, loss, and deductions with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) and the regulations thereunder.

(c) Elections. Any elections or other decisions relating to such allocations shall be made by the Managers in any manner that reasonably reflects the purpose and intention of the Agreement and this Appendix. Allocations pursuant to this Section 5 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Shareholder's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of the Agreement and this Appendix.

#### SECTION 6 - TAX ELECTION.

In the event of a transfer of all or part of the Ownership Interest of a Shareholder, or upon the distribution of cash or other property to a Shareholder, the Company may, but shall not be obligated to, elect pursuant to Section 754 of the Internal Revenue Code to adjust the basis of the Company's assets. The determination to make such election shall be within the absolute discretion of the Managers, and the Managers may, in their discretion, require one or more persons likely to benefit from such election to pay the additional accounting and other expenses associated with making such election.

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### SCHEDULE C

#### INITIAL MANAGERS

##### The Initial Managers of Company shall be as follows:

<u>Name of Manager</u>	<u>Designated By</u>
Maciej Zalewski	Tokarz
Zbigniew Tokarz	Tokarz
Mehmet Gencer	Atagencer
Philip M. Lynch	NTI

Patrick Lynch

NTI

Anna Zalewska

NTI

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MANAGEMENT AND  
MARKETING AGREEMENT

BY AND BETWEEN

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

AND

POLYMER ENERGY, LLC

DATED AS OF JUNE 26, 2003

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**MANAGEMENT AND  
MARKETING AGREEMENT**

THIS MANAGEMENT AND MARKETING AGREEMENT (the “Agreement”) is made and entered into as of June 26, 2003, by and between NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION, a corporation organized under the laws of the State of Delaware, U.S.A. (“NTI”), and POLYMER ENERGY, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. (the “Company”).

**ARTICLE 1**

**DEFINITIONS**

For the purposes of this Management Agreement, the following Definitions of terms shall apply. Capitalized terms not otherwise defined herein shall have the definition given to such terms in the Joint Venture Agreement.

- 1.1 **Affiliate.** Any Person that controls, is controlled by, or is under common control with, another Person.
- 1.2 **Agents.** The officers, employees, consultants or other representatives of any of the Parties or of the Company.
- 1.3 **Ancillary Agreements.** The following are the Ancillary Agreements and the Parties thereto:
  - (a) **License Agreement.** License Agreement dated as of the Effective Date between Zbigniew Tokarz, Trustee U/A Dated June 26, 2003, as licensor, and the Company, as licensee, concerning the Polymer Recycling Technology (“License Agreement”).

- (b) **Technical Assistance Agreements.** Technical Assistance and Marketing Support Agreements dated as of the Effective Date between the Company and each of the Zalewski Trust and Atagencer (“Technical Assistance Agreements”).
- (c) **Management Agreement.** This Management and Marketing Agreement.
- (d) **Operating Agreement.** Operating Agreement of the Company dated as of the Effective Date.

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1.4 **Atagencer.** Atagencer, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A.

1.5 **At Cost.** Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription “At Cost”).

1.6 **Business.** The commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology throughout the Territory, including the manufacturing, promotion and sale of Products, the providing of Services, and all other methods of commercialization of the Intellectual Property Rights.

1.7 **Change of Control.** Any change in ownership, management, control or scope of business activities of a Party that could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

1.8 **Company.** Polymer Energy, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. as a joint venture entity pursuant to the Joint Venture Agreement to conduct the Business in the Territory.

1.9 **Effective Date.** The date of the Joint Venture Agreement.

1.10 **Intellectual Property Rights.** The Polymer Recycling Technology and any Other Agreed Upon Technology, including the Know-How, Materials, Processes, Trademarks, and Trade Secrets, (all as hereinafter defined), collectively, as the same currently exist and shall hereafter be modified, developed and/or acquired by the Company.

1.11 **Joint Venture Agreement.** The Joint Venture Agreement by and among Atagencer, the Tokarz Trust, the Zalewski Trust and NTI relating to the formation and governance of the Company and the conduct of the Business.

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1.12 **Know-How.** The technology, formulae, methods and procedures developed by the Company which are unique in nature and essential or useful in the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies, together with all improvements and modifications with respect thereto.

1.13 **Materials.** The constituent materials and chemicals of one or more formulations developed by the Company which are required for commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies.

1.14 **Net Sales.** The gross proceeds received by the Company from the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies in normal, bona fide commercial transactions on an arm’s length basis to, by, with, or through an entity which is not affiliated with any Party to the Joint Venture Agreement, less (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.15 **New Technology.** Any new technology developed by any of Atagencer, Mehmet Gencer, Tokarz, the Tokarz Trust, Zalewski or the Zalewski Trust during the term of the Joint Venture Agreement that is determined by the Parties to be desirable by the Company as part of the Business and that subsequently becomes an Other Agreed Upon Technology.

1.16 **NTI.** Northern Technologies International Corporation, a corporation organized under the laws of the State of Delaware, U.S.A.

1.17 **Operating Agreement.** The Operating Agreement of the Company dated as of the Effective Date.

1.18 **Other Agreed Upon Technologies.** In conformity with the objectives of the Parties to expand the Business over time, products, materials and/or technologies, including any New Technology, identified by the Parties over time which are both compatible with the Business and susceptible of being profitably marketed through and/or by the Company in the Territory. Upon agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Company’s activities, and successful negotiation of all requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Business as “Other Agreed Upon Technologies” to be treated as set forth in the Joint Venture Agreement and/or the Ancillary Agreements.

1.19 **Parties.** The Parties to this Agreement and their successors and permitted assigns.

1.20 **Person.** A corporation, partnership, limited liability company or other entity, however denominated, and any natural person.

1.21 **Polymer Recycling Technology.** A method for continuous conversion of polyolefinic plastics wastes (such as polyethylene or polypropylene) to a liquid mixture of non-saturated and saturated hydrocarbons, constituting high quality paraffin, and a device to realize said method, including, without limitation, certain rights to the patents, patent applications, know-how and related intellectual property described in Exhibit A attached to the Joint Venture Agreement.

1.22 **Processes.** The procedures utilizing the Know-How for the manufacture of Products as developed and specified by the Company, together with any improvements of and modifications to the same as it relates to the manufacturing of Products, together with future technology, knowledge and product development which is useful in the manufacture of Products.

1.23 **Products.** Any products, including machinery and equipment, manufactured by or for the Company utilizing the Polymer Recycling Technology and any Other Agreed Upon Technologies, incorporating the Materials, or utilizing the Trademarks, all of which have been developed by and are owned and/or licensed by the Company.

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1.24 **Prototype.** A prototype of the machinery and equipment required to practice or use the Polymer Recycling Technology.

1.25 **Services.** Services utilizing or based upon the Polymer Recycling Technology or any Other Agreed Upon Technology.

1.26 **Territory.** All NAFTA countries (including Canada, the United States and Mexico) and all countries of Asia (including all ASEAN countries as well as India, Japan, China and Turkey), as well as any other countries as shall be agreed among the Parties.

1.27 **Tokarz.** Zbigniew Tokarz, a natural Person.

1.28 **Tokarz Trust.** Irrevocable Trust Agreement of Zbigniew Tokarz dated June 26, 2003.

1.29 **Trademarks.** Any trademarks now or hereafter owned or licensed by the Company in connection with the Business, including all trade literature, technical specifications and application instructions and promotional material pertaining thereto, together with all ancillary trademark registrations, which may differ between various jurisdictions.

1.30 **Trade Secrets.** Trade Secrets includes both Company Trade Secrets (as defined in Section 13.1 of the Joint Venture Agreement) and Shareholder Trade Secrets (as defined in Section 14.1 of the Joint Venture Agreement).

1.31 **Zalewski.** Maciej Zalewski, a natural Person.

1.32 **Zalewski Trust.** Irrevocable Trust Agreement of Maciej Zalewski dated June 26, 2003.

## ARTICLE 2

### ENGAGEMENT OF NTI AS MANAGER

2.1 **Engagement of NTI as Manager.** The Company hereby engages NTI to implement the Purposes of the Joint Venture (as defined in Article 3 of the Joint Venture Agreement) and to manage, supervise and conduct the Business. NTI hereby accepts such engagement and agrees to serve in such capacity in accordance with the terms hereof and with the terms of the Joint Venture Agreement and the other Ancillary Agreements.

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2.2 **Duties and Authority of Manager.** NTI shall have all authority which may be necessary, desirable or appropriate in connection with the discharge of NTI's duties hereunder, subject only to applicable limitations contained in the Joint Venture Agreement and the Ancillary Agreements, and the provisions of Article 2 hereof. NTI shall use its best efforts in the performance of its duties and shall discharge same and conduct the Business in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work in the Territory.

2.3 **Responsibility of Manager or Specific Activities.** In the course of fulfilling its responsibilities pursuant to this Agreement, NTI shall carry out the following activities on behalf of the Company.

- (a) Cause the Company to comply with the terms of the Joint Venture Agreement and the Ancillary Agreements;
- (b) Acquire such materials, supplies, equipment, services and technical assistance as may be necessary, desirable or appropriate for the conduct of the Business;
- (c) Procure from outside experts, consultants and professionals such engineering, legal, advertising, promotional, and, except for accounting services (which shall be provided in accordance with the Joint Venture Agreement), other advisory and professional services as may be necessary, desirable or appropriate for the conduct of the Business;
- (d) Protect, keep and maintain the properties and assets of the Company and such properties and assets of the Parties to the Joint Venture Agreement as are in the Company's actual possession;
- (e) Hire, train and supervise such personnel as may be necessary, desirable or appropriate for the conduct of the Business;
- (f) Provide all executive and administrative responsibilities and services necessary, desirable or appropriate for the conduct of the Business;
- (g) Cause the Company to comply with all laws applicable to it;
- (h) Process all customer orders, provide billings to customers and make adjustments with customers as appropriate;
- (i) Manage the credit risk of the Company including making inquiries regarding the creditworthiness of potential customers;

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- (j) Manufacture or cause the manufacture of products and Other Agreed Upon Technologies in the Territory, and, as far as NTI and its affiliates are concerned, At Cost;

- (k) Maintain the books and records of the Company in accordance with the normal practices of similar businesses in the Territory;
- (l) Prepare and file with governmental authorities all required reports and returns relating to the Business;
- (m) Procure on behalf of the Company such product liability, public liability and other liability, casualty, and general insurance, as may be necessary, desirable and appropriate for the conduct of the Business in the Territory;
- (n) Establish and maintain a segregated bank account or accounts in the name of the Company for the deposit and disposition of all funds generated by and disbursed for the Business;
- (o) Apply standards for the extension of credit and establish and maintain systems for the collection of all accounts, including overdue accounts in accordance with the normal practices of similar businesses in the Territory;
- (p) Coordinate the pricing and discount structure for the sale of products and Other Agreed Upon Technologies to customers and/or distributors in the Territory, which will result in a reasonable profit to the Company, subject to the provisions of the Joint Venture Agreement;
- (q) Arrange for the preparation and delivery of the Company's financial statements as required by the Joint Venture Agreement;
- (r) Cause Agents of the Company to execute appropriate Trade Secrecy Agreements for the benefit of the Company; and to execute Trade Secrecy Agreements for the benefit of NTI;
- (s) Use its best efforts, directly and through its Affiliates, to (i) negotiate and manage strategic alliances with governmental agencies and other Persons to promote the commercialization of the Intellectual Property Rights throughout the Territory, and (ii) assist in obtaining any necessary financing for the operation of the Business;

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- (t) Take commercially reasonable efforts to cause the Company to register and protect all Intellectual Property Rights worldwide; and
- (u) Perform or cause the Company to perform all other acts and functions as may be necessary, desirable or appropriate in connection with the conduct of the Business within its limited liability company authority as stated in the Company's Articles of Organization, subject to the Joint Venture Agreement, the Ancillary Agreements and duly adopted Resolutions of the Board of Managers.

### ARTICLE 3

#### ENGAGEMENT OF NTI AS EXCLUSIVE MARKETING AGENT

3.1 **Exclusive Marketing Agent.** The Company hereby engages NTI as its exclusive marketing agent for the marketing and sale of Products and Services utilizing the Polymer Recycling Technology and Other Agreed Upon Technologies in the Territory, and NTI hereby accepts such engagement and agrees to use its best efforts in accordance with the terms hereof to promote the marketing and sale of Products and Services in the Territory.

3.2 **Commitment to Use its Best Efforts.** NTI shall use its best efforts in the performance of its duties hereunder and shall discharge same in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

3.3 **Promotion of Products and Trademarks.** In connection with the discharge of its duties hereunder NTI shall use its best efforts to solicit and to obtain business and, in so doing, to develop an increasing awareness of the Products and any Trademarks relating to the Polymer Recycling Technology and any Other Agreed Upon Technologies among potential customers. Such sales efforts will be carried on by properly trained sales personnel who shall thoroughly, energetically and regularly canvass and call upon customers and potential customers. NTI shall advise the Company on a periodic basis (not less frequently than quarterly) as to the status of its sales efforts, the nature of orders obtained and the amount of backlog.

3.4 **Preparation and Use of Promotional Material.** NTI shall prepare promotional material for the conduct of the Business in the Territory in the language(s) which in NTI's judgment are suitable under good business practice in each country within the Territory.

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3.5 **Cooperation with Other Parties.** NTI shall cooperate with Atagencer, the Tokarz Trust and the Zalewski Trust in their efforts to commercialize and further develop the Intellectual Property Rights, including efforts to seek strategic alliances with other Persons and governmental entities and to seek grants and other financing opportunities for the Business.

3.6 **Appointment of Distributors.** NTI may appoint distributors for Products relating to the Polymer Recycling Technology and any Other Agreed Upon Technologies in the Territory on an arms-length basis. NTI may also serve as a distributor of Products relating to the Polymer Recycling Technology and any and Other Agreed Upon Technologies, either directly or indirectly in the Territory, provided that the total compensation to NTI for all services it renders to the Company as Sales Manager does not aggregate more than ten percent (10%) of Net Sales.

### ARTICLE 4

#### PAYMENTS TO NTI FOR ITS SERVICES

4.1 **Basis for Payments.** The Company shall make payments to NTI which are provided for in Article 4 of this Management Agreement in consideration of the services performed by NTI as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Management Agreement as compensation for the services set forth above and duly provided by NTI.

4.2 **Compensation to NTI for Management Services.** As compensation for the management services to be rendered by NTI pursuant to this Agreement, the Company shall pay to NTI a fee equal to five percent (5%) of the amount of Net Sales, plus reimbursement of reasonable, direct out-of-pocket expenses (At Cost) paid or incurred by NTI in the discharge of its responsibilities hereunder. Such amounts shall be paid to NTI within thirty (30) days after the

conclusion of each quarterly period, based upon Net Sales and out-of-pocket expenses during the preceding quarterly period. There shall, however, be no separate or additional compensation in conjunction with services, such as accounting, invoicing or other management or administrative functions, which services are to be performed by NTI within the scope of its responsibilities as Manager.

4.3 **Compensation to NTI for Marketing Services.** NTI shall receive compensation for its services to the Company as exclusive marketing agent hereunder equal to ten percent (10%) of the total Net Sales by the Company, plus reasonable, direct out-of-pocket expenses (At Cost) incurred in the performance of its duties in this regard. There shall, however, be no separate or additional compensation in conjunction with services, such as carrying out promotional activities or conducting sales seminars, which services are to be performed by NTI within the scope of its responsibilities as exclusive marketing agent of the Company. In the course of effectuating sales, NTI may either purchase Products directly from the Company and hereupon resell same to customers for its own account, or alternatively serve as a commission agent for the Company, but not both; provided that the total margin to NTI in consideration of all sales activities conducted by NTI does not exceed ten percent (10%). Payment terms for Products purchased by NTI from the Company for resale to customers shall be equal to the same terms offered by NTI on behalf of the Company to third parties fulfilling the same functions; and payment for Products purchased shall be made by NTI to the Company forthwith upon receipt of payment from customers.

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4.4 **Compensation to NTI for Other Agreed Upon Technologies.** Compensation to NTI for services rendered within the scope of this Agreement with respect to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Unless otherwise agreed between the Parties, however, NTI shall perform substantially the same functions, and have substantially the same rights, duties and obligations with respect to Other Agreed Upon Technologies as it does with respect to Products. Accordingly, NTI's total compensation with respect to the services rendered with respect to Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the total compensation paid to NTI for the services it renders to the Company with respect to Products.

4.5 **When a Sale is Deemed to Occur.** A sale shall be deemed to have occurred when Products or Services based upon the Polymer Recycling Technology or Other Agreed Upon Technologies have been billed or (if not billed) delivered to and fully paid for by a customer.

4.6 **Support Year.** The term Support Year ("Support Year") shall mean any twelve (12) month period ending on 31 August, except that the first Support Year shall commence on the Effective Date and end on the next 31 August date.

4.7 **Statements and Payment to NTI.** Within sixty (60) days after the last day of each quarterly period in each Support Year, NTI shall cause the Company.

- (a) To prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:
  - (i) The total amount of Net Sales relating to Polymer Recycling Technology (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (ii) The total amount of compensation on such Net Sales relating to Polymer Recycling Technology (computed as hereinbefore provided) payable to NTI for its management and marketing representation services to the Company hereunder; and

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- (iii) The total amount of Net Sales relating to Other Agreed Upon Technologies (broken down in reasonable detail by volumes and individual customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
- (iv) The total amount of compensation on such Net Sales relating to Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI for its management and marketing representation services to the Company hereunder.
- (b) Pay to NTI the full amount of compensation to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Section 4.7.(a) hereof.

4.8 **Books and Records.** NTI covenants and agrees that, as part of its duties under Article 2 hereof, it will cause the Company:

- (a) To keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI or its independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Section 4.7.(a);
- (b) To keep all such commercial and financial records and books of account at its principal office and to preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records, or the last entry in such books of account was made, whichever shall be later; and
- (c) To make such commercial and financial records, books of account, data and information available to NTI and/or its representatives and independent accountants and to give such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 4.7.(a) hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The independent accountants of the Company shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data to be supplied to NTI pursuant to Section 4.7.(a) hereof. The cost of such reports shall be borne by the Company. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company,

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**ARTICLE 5**

**PROTECTION OF NTI TRADE SECRETS**

5.1 **Identification of NTI Trade Secrets.** The Parties acknowledge that it is not intended that NTI impart its technology or trade secrets to the Company or, through the Company, to the other Parties. The Parties recognize, however, that NTI may impart information to the Company to further the Business, which NTI considers to be proprietary in nature and thus wishes to be kept confidential, and that such NTI Trade Secrets may come to be imparted to the other Parties through the Company. In order for such information to be considered under the category of NTI Trade Secrets, NTI must alert the Company to the fact that it intends to impart information it considers proprietary to the Company, in writing, in advance of imparting such information, and clearly identify such information as a NTI Trade Secret ("NTI Trade Secrets").

5.2 **Protection of NTI Trade Secrets.** The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI Trade Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and the Ancillary Agreements. NTI Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a NTI Trade Secret shall be in the public domain as the result of an act by the Company or any Agent thereof, then the Company shall nevertheless continue to keep such NTI Trade Secret secret and inviolate.

5.3 **Protection of NTI Trade Secrets by Agents of the Company.** Neither the Company, nor its Agents, shall at any time copy, remove from their proper location – be it within the Company or elsewhere – or retain without NTI's prior written consent, the originals or copies of any NTI Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI Trade Secrets be strictly maintained both as to original documents and copies thereof.

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- (a) Insofar as the Agents of the Company who come in contact with NTI Trade Secrets are concerned, the Company shall cause such Agents to enter into NTI Trade Secrecy Agreements in a form approved by NTI. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.
  - (b) NTI is an intended third party beneficiary of the NTI Trade Secrecy Agreements. NTI may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the NTI Trade Secrecy Agreements and/or any breach thereof against any and all Agents of the Company (as defined in Section 5.3.(a) hereof) who have executed same.

5.4 **Remedies in the Event of a Violation of Article 5.** In the event of any violation by the Company and/or its Agents of the provisions of Article 5 hereof, NTI's remedy at law will be inadequate and NTI will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and in any court of competent jurisdiction to protect NTI Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

**ARTICLE 6**

[RESERVED]

**ARTICLE 7**

**TERM OF AGREEMENT**

7.1 **Indefinite Term.** This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

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7.2 **Termination.** This Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- (a) Terminated by either Party in accordance with the provisions of Articles 5 and/or 6 hereof;
- (b) Terminated in accordance with Section 7.3 and/or Section 7.4 hereof;
- (c) Terminated by either Party by reason of a material Breach or Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 8 hereof, or
- (d) Terminated automatically, in conjunction with the termination of the Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event, this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

7.3 **Termination Upon Change of Control of a Party.** In the event that a Change of Control of a Party hereto shall occur, then the other Party may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been affected upon prior notification and with the written understanding of the other Party.

7.4 **Termination Upon Bankruptcy or Insolvency.** If a Party hereto shall become bankrupt or insolvent or shall file for any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings for bankruptcy, insolvency, reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Management Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

- (a) Payments due under this Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- (b) Payments due under this Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and

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(c) All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

7.5 **Payment of Amounts Due.** In the event of termination of this Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

7.6 **Cooperation Upon Termination.** Upon termination of this Agreement, the Company shall cooperate with NTI in transferring NTI Trade Secrets to NTI or its designated assignee.

7.7 **Non-Release of Obligations.** The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 5, upon termination of this Agreement, NTI Trade Secrets shall continue to be kept secret and confidential.

7.8 **Cessation of Rights Upon Termination.** Upon the termination of this Agreement, for reason of Default or Breach of this Agreement or of the Joint Venture Agreement or an Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 9 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

## ARTICLE 8

### DEFAULT

8.1 **Event of Default.** A Default ("Default") hereunder shall exist in the event of:

- (a) Non-payment of funds by one Party to another Party when due and owing; or
- (b) A material Breach ("Breach") of any provision of this Agreement, the Joint Venture Agreement, or any of the other Ancillary Agreements.

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8.2 **Remedies Upon Default or Breach.** The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- (a) If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- (b) Notwithstanding the foregoing, in the event of a violation of Article 5 hereof by a Party hereto, the other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 5 hereof as provided herein.

8.3 **Non-Waiver of Rights.** A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 8.1 or 8.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 8.2 hereof), or on account of any subsequent Breach or Default by a Party.

## ARTICLE 9

### DISPUTE RESOLUTION

9.1 **Dispute Resolution by Arbitration.** Any and all disputes, except as excluded under Section 9.2 hereof, which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to, the following:

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- (a) A dispute as to whether a Default exists;
  - (b) A dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
  - (c) A dispute as to the validity of this Article 9;
  - (d) A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
  - (e) A dispute as to the rights, obligations or liabilities of the Parties hereunder.

9.2 **Disputes Not Subject to Arbitration.** Notwithstanding anything to the contrary set forth in this Agreement:

- (a) Arbitration may not be invoked regarding matters expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- (b) Arbitration may not be invoked if NTI, in its capacity as Manager of the Company, causes the Company to commit a Breach or Default of this Agreement or of the Joint Venture Agreement or of any of the Ancillary Agreements. Such action shall be considered a Breach by NTI of Article 6 hereof.
- (c) Arbitration may not be invoked if a Party violates the provisions of the Joint Venture Agreement relating to NTI Trade Secrets or Corporate Opportunity. In such event, the remedies set forth in the Joint Venture Agreement shall apply.

9.3 **Conduct of Arbitration Proceedings.** Such arbitration proceedings shall be conducted in the English language and shall be carried on in the City of Cleveland, Ohio U.S.A. or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In the interpretation of this Agreement, the laws of State of Ohio, U.S.A. shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

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9.4 **Designation of the "Prevailing Party".** In each case in which arbitration is invoked under this Agreement, the Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

9.5 **Punitive Damages Excluded.** The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

## ARTICLE 10

### GENERAL PROVISIONS

10.1 **Benefit of Parties.** All of the terms and provisions of this Agreement, the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of such Party's rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

10.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.3 **Cooperation.** During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Agreement as well as those of the Joint Venture Agreement and the other Ancillary Agreements and to carry out the true intent and purposes thereof.

10.4 **Index, Captions, Definitions and Defined Terms.** The captions of the Articles and Sections of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Management Agreement before or after they are defined.

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10.5 **Waiver of Compliance.** The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Party hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

10.6 **Force Majeure.** In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

10.7 **Notices.** All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

If to NTI, to: Northern Technologies International Corporation  
23205 Mercantile Road  
Beachwood, OH 44122  
Attention: Chairman  
Telefax: 1-216-595-1741

Copy to: Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President  
Telefax: 1-651-784-2902

If to the Company, to: Polymer Energy, LLC  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

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10.8 **Entire Agreement.** This Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Agreement so as to provide for expansion both of Net Sales and of the scope of the Business with Other Agreed Upon Technologies. Any amendment or supplement to this Agreement, the Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include corporate resolutions and/or other written exchanges between Parties, but must be manually signed, in the original by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof. In case of a conflict between the terms of this Agreement and the terms of the Joint Venture Agreement, the terms of the Joint Venture Agreement shall prevail.

10.9 **Validity of Provisions.** Should any part of this Agreement, the Joint Venture Agreement or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

10.10 **Governmental Filings.** NTI shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

10.11 **Payments.** Any payment to be made to NTI pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due it shall be made.

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IN WITNESS WHEREOF, the Parties have executed this Management and Sales Representation Agreement as of the day and year first above written.

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

**POLYMER ENERGY, LLC**

By: /s/ Philip M. Lynch

By: /s/



LICENSE AGREEMENT

BY AND BETWEEN

ZBIGNIEW TOKARZ, TRUSTEE U/A DATED  
JUNE 26, 2003  
(as Licensor)

AND

POLYMER ENERGY, LLC  
(as Licensee)

DATED AS OF JUNE 26, 2003

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**LICENSE AGREEMENT**

THIS LICENSE AGREEMENT is made and entered into as of June 26, 2003, by and between ZBIGNIEW TOKARZ, TRUSTEE U/A DATED JUNE 26, 2003 (who is hereinafter referred to as "Licensor"), and POLYMER ENERGY, LLC, a limited liability company organized under the laws of the State of Ohio, (hereinafter referred to as "Licensee" or as the "Company").

**ARTICLE 1**

**DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

- 1.1 **Affiliate.** Any Person that controls, is controlled by, or is under common control with, another Person.
- 1.2 **Agents.** The officers, employees, consultants or other representatives of any of the Parties or of the Company.
- 1.3 **Ancillary Agreements.** The following are the Ancillary Agreements and the Parties thereto:
- (a) **License Agreement.** This Agreement.
- (b) **Technical Assistance Agreements.** Technical Assistance and Marketing Support Agreements dated as of the Effective Date between the Company and each of the following: the Zalewski Trust and Atagencer ("Technical Assistance Agreements").
- (c) **Management Agreement.** Management and Marketing Agreement dated as of the Effective Date between the Company and NTI ("Management Agreement").
- (d) **Operating Agreement.** Operating Agreement of the Company dated as of the Effective Date.
- 1.4 **Atagencer.** Atagencer, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A.
- 1.5 **At Cost.** Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription "At Cost").
- 1.6 **Business.** The commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology throughout the Territory, including the manufacturing, promotion and sale of Products, the providing of Services, and all other methods of commercialization of the Intellectual Property Rights.
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- 1.7 **Change of Control.** Any change in ownership, management, control or scope of business activities of a Party that could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.
- 1.8 **Company.** Polymer Energy, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. as a joint venture entity pursuant to the Joint Venture Agreement to conduct the Business in the Territory.
- 1.9 **Effective Date.** The date of the Joint Venture Agreement.
- 1.10 **Intellectual Property Rights.** The Polymer Recycling Technology and any Other Agreed Upon Technology, including the Know-How, Materials, Processes, Trademarks, and Trade Secrets, (all as hereinafter defined), collectively, as the same currently exist and shall hereafter be modified, developed and/or acquired by the Company.
- 1.11 **Joint Venture Agreement.** The Joint Venture Agreement dated as of the Effective Date by and among Atagencer, Licensor, the Tokarz Trust and the Zalewski Trust relating to the formation and governance of the Company and the conduct of the Business.
- 1.12 **Know-How.** The technology, formulae, methods and procedures developed by the Company which are unique in nature and essential or useful in the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies, together with all improvements and modifications with respect thereto.
- 1.13 **Materials.** The constituent materials and chemicals of one or more formulations developed by the Company which are required for commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies.
- 1.14 **Net Sales.** The gross proceeds received by the Company from the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party to this Agreement, less (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.
- 1.15 **New Tokarz Technology.** Any new technology developed by Tokarz or the Tokarz Trust during the term of the Joint Venture Agreement that is determined by the Parties to be desirable by the Company as part of the Business and that subsequently becomes an Other Agreed Upon Technology.
- 1.16 **NTI.** Northern Technologies International Corporation, a corporation organized under the laws of the State of Delaware, U.S.A.

1.17 **Operating Agreement.** The Operating Agreement of the Company dated as of the Effective Date.

1.18 **Other Agreed Upon Technologies.** In conformity with the objectives of the Parties to expand the Business over time, products, materials and/or technologies, including any New Tokarz Technology, identified by the Parties over time which are both compatible with the Business and susceptible of being profitably marketed through and/or by the Company in the Territory. Upon agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Company's activities, and successful negotiation of all requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Business as "Other Agreed Upon Technologies" to be treated as set forth in the Joint Venture Agreement and/or the Ancillary Agreements.

1.19 **Parties.** The Parties to this Agreement and their successors and permitted assigns.

1.20 **Person.** A corporation, partnership, limited liability company or other entity, however denominated, and any natural person.

1.21 **Polymer Recycling Technology.** A method for continuous conversion of polyolefinic plastics wastes (such as polyethylene or polypropylene) to a liquid mixture of non-saturated and saturated hydrocarbons, constituting high quality paraffin, and a device to realize said method, including, without limitation, certain rights to the patents, patent applications, know-how and related intellectual property described in Exhibit A attached to the Joint Venture Agreement.

1.22 **Processes.** The procedures utilizing the Know-How for the manufacture of Products as developed and specified by the Company, together with any improvements of and modifications to the same as it relates to the manufacturing of Products, together with future technology, knowledge and product development which is useful in the manufacture of Products.

1.23 **Products.** Any products, including machinery and equipment, manufactured by or for the Company utilizing the Polymer Recycling Technology and any Other Agreed Upon Technologies, incorporating the Materials or Processes, or utilizing the Trademarks, all of which have been developed by and are owned and/or licensed by the Company.

1.24 **Prototype.** A prototype of the machinery and equipment required to practice or use the Polymer Recycling Technology.

1.25 **Services.** Services utilizing or based upon the Polymer Recycling Technology or any Other Agreed Upon Technology.

1.26 **Shareholder.** Any holder, from time to time, of Shares of the Company and who is a Party to the Joint Venture Agreement or who may become a Party to the Joint Venture Agreement in the future.

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1.27 **Shares.** Any validly issued shares or membership interests in the Company owned by any Shareholder pursuant to the Joint Venture Agreement.

1.28 **Territory.** All NAFTA countries (including Canada, the United States and Mexico) and all countries of Asia (including all ASEAN countries as well as India, Japan, China and Turkey), as well as any other countries as shall be agreed among the Parties.

1.29 **Tokarz.** Zbigniew Tokarz, a natural Person.

1.30 **Tokarz Trust.** Irrevocable Trust Agreement of Zbigniew Tokarz dated June 26, 2003.

1.31 **Trademarks.** Any trademarks now or hereafter owned or licensed by the Company in connection with the Business, including all trade literature, technical specifications and application instructions and promotional material pertaining thereto, together with all ancillary trademark registrations, which may differ between various jurisdictions.

1.32 **Trade Secrets.** Trade Secrets includes both Company Trade Secrets (as defined in Section 13.1 of the Joint Venture Agreement) and Shareholder Trade Secrets (as defined in Section 14.1 of the Joint Venture Agreement).

1.33 **Zalewski.** Maciej Zalewski, a natural Person.

1.34 **Zalewski Trust.** Irrevocable Trust Agreement of Maciej Zalewski dated June 26, 2003.

## **ARTICLE 2**

### **GRANT OF LICENSE**

2.1 **Licensor's Representations.** Licensor is the owner of the Intellectual Property Rights and is free to disclose and license the Intellectual Property Rights to the Company for use in the Territory.

2.2 **Grant of License.** Licensor hereby grants to Licensee upon the terms, provisions and conditions set forth herein, an exclusive, non-transferable right and license to the Know-How and Processes to make, have made, use, sell or otherwise dispose of products and services incorporating the Intellectual Property Rights within the Territory. Licensee shall not sell, distribute, promote or solicit customers for the Intellectual Property Rights outside of the Territory including but not limited to such countries or regions where Licensor has granted exclusive sales rights to a third party licensee.

2.3 **Commitment by Company.** In consideration of the exclusive license to the Intellectual Property Rights in the Territory granted to the Company hereunder, the Company agrees that during the term of this License Agreement it shall not, without the prior written consent of Licensor, enter into a license agreement, distribution agreement or any other agreement or relationship with any other Person for the use of such Person's processes, know how, techniques and procedures which would in any way conflict with, substitute, displace or impede the Business within the Territory.

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2.4 **Enlargement of Scope of Intellectual Property Rights Not Subject to This License.** It is recognized that over a period of time the scope of the Intellectual Property Rights covered by this License Agreement may expand in related areas. The addition of such additional Intellectual Property Rights under this License Agreement shall be as mutually agreed by Licensor and Licensee, based upon their joint assessment of the prospective market therefor within the Territory and the suitability of including such additional Intellectual Property Rights within the Business.

2.5 **Claims Against Company for Infringement.** Notwithstanding the provisions of Section 2.1 hereof, in the event that any third party shall claim that the Company is infringing upon its patents or other intellectual property rights, the Company shall promptly notify Licensor of such claims. Thereafter, Licensor and the Company shall together determine an appropriate course of conduct in response to such claims.

### **ARTICLE 3**

#### **IMPROVEMENTS AND MODIFICATIONS TO INTELLECTUAL PROPERTY RIGHTS**

3.1 **Ongoing Research and Development by Licensor.** Licensor (through Tokarz) shall continue its efforts in research and development to improve the Intellectual Property Rights and Licensor shall make the results of such research and development available to the Company through this License Agreement.

3.2 **Improvements by Licensor.** Any and all improvements or modifications to the Intellectual Property Rights, of whatever nature and description, made by or through Licensor or Tokarz, or acquired by Licensor or Tokarz, or coming under Licensor's or Tokarz's control during the term of this Agreement, which relate to the Product and which are suitable and useful in the Business, shall be deemed to be covered by this Agreement and shall be made available to the Company without any payment therefor in addition to the payments provided for in this Agreement. It is understood, however, that if Licensor or Tokarz should acquire improvements in or modifications to the Intellectual Property Rights by means of a license from a third party, then Licensor's and Tokarz's obligations to the Company hereunder shall be subject to the provisions of such license.

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3.3 **Disclosure of Improvements and Modifications.** Licensor and Tokarz shall disclose to the Company promptly any and all improvements in or modifications to the Intellectual Property Rights as covered by this Agreement, and any and all Know-How and technical information which Licensor or Tokarz may acquire with respect to or relating to any such improvements or modifications. Anything in this Agreement to the contrary notwithstanding, in the event that:

- (a) Licensor or Tokarz should determine that any such improvements in or modifications to the Intellectual Property Rights, which are proprietary to Licensor or Tokarz, are themselves patentable and the disclosure thereof would in any manner adversely affect Licensor's or Tokarz's ability to obtain a patent with respect thereto or would otherwise be adverse to Licensor's or Tokarz's best interests with respect to the protection of the Intellectual Property Rights related thereto; or
- (b) Licensor or Tokarz intends to file or have filed a patent application with respect thereto; then

Licensor and Tokarz shall not be under any obligation to make disclosure thereof to the Company until Licensor and Tokarz has obtained adequate patent protection in the opinion of its patent counsel. When such patent protection has been obtained, the subject improvements or modifications will then be disclosed promptly to the Company and the same will fall within the scope of the License granted to the Company pursuant to this Agreement.

### **ARTICLE 4**

#### **GRANT OF RIGHT AND LICENSE BY COMPANY CONCERNING IMPROVEMENTS IT ACQUIRES**

4.1 **Disclosure of Improvements to Licensor.** The Company agrees to disclose promptly to Licensor any improvements in or modifications to the Intellectual Property Rights of whatever nature or description, which come to be learned by the Company or which are made by or through its efforts, without any obligation by Licensor to make payment therefor.

4.2 **Grant of Right and License by Licensor.** The Company hereby grants to Licensor an exclusive, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and know-how owned, controlled, or acquired by the Company or which may otherwise be transferred or granted to the Company during the term of this Agreement and for a period of two years following the termination hereof to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements in and modifications to Intellectual Property Rights together with the Know-How, Materials, Processes, Products utilizing such improvements and/or to sublicense third parties to do the same.

4.3 **Obligations of the Company Concerning the Filing of New Patents.** The Company, NTI and Licensor agree that NTI shall, at its cost, on behalf of the Company and Licensor, file and diligently prosecute applications for letters patent in the United States Patent and Trademark Office in the name of the Company on any and all patentable improvements to Intellectual Property Rights coming into its purview. The Company, NTI and Licensor agree that NTI shall, at its cost, on behalf of the Company and Licensor, file and diligently prosecute corresponding foreign patent applications in the name of the Company in all "PCT countries" deemed appropriate by the Parties and in such other countries outside the Territory as may be agreed by the Parties. At the request of Tokarz or the Tokarz Trust, the Company shall license to Tokarz or to the Tokarz Trust any patent issued to the Company pursuant to such patent applications, but only for use outside of the Territory, and all such licenses shall be "royalty-free" to the licensee.

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4.4 **Review of Potentially Infringing Technology.** In the event that the Company shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with Intellectual Property Rights, then the Company shall forthwith provide Licensor and NTI with whatever information it may have with respect thereto. Licensor and NTI and the Company will then consult with one another as to:

- (a) Taking appropriate legal action against such third party for infringement of Intellectual Property Rights; or
- (b) Purchasing, licensing or otherwise acquiring such technology, processes or patents from such third parties, in which event such

rights as are acquired shall be extended to Licensor pursuant to Section 4.2 hereof. In such event, based upon the joint decision of the Parties, the Company shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

## ARTICLE 5

### OTHER AGREED UPON TECHNOLOGIES

5.1 **Agreement of the Parties re: Other Agreed Upon Technologies.** The Parties to the Joint Venture Agreement and to the Ancillary Agreements agree that it is a stated objective to build the Company by adding Other Agreed Upon Technologies to the scope of the Business.

5.2 **Search for Other Agreed Upon Technologies.** Licensor and Tokarz shall diligently search for Other Agreed Upon Technologies, appropriate for the Territory, which might reasonably be included within the scope of the Business.

5.3 **Licensing Strategy for Other Agreed Upon Technologies.** The Parties agree to cooperate with each other in evaluating licensing opportunities and in promulgating strategy with respect to negotiating and concluding license agreements for Other Agreed upon Technologies for and on behalf of the Company in the Territory. Further, the Parties to this Agreement and to the Joint Venture Agreement agree that NTI shall take the lead with respect to negotiating the most favorable terms possible with the owner(s) of the intellectual property rights with respect to Other Agreed Upon Technologies which the Parties wish to add to the scope of the Business in the Territory; but that NTI shall not conclude any agreement for such intellectual property rights for and on behalf of the Company in the Territory, without the express written approval of the Parties to the Joint Venture Agreement and the Company, which approval shall not be unreasonably withheld.

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5.4 **Development of the Market for Other Agreed Upon Technologies.** The Parties recognize that the structure of the market for Other Agreed Upon Technologies in the Territory may require a different marketing approach from that required by the structure of the market of the Polymer Recycling Technology. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies for planning purposes. The Parties agree, however, to cooperate in fulfilling the terms of such license agreement as may be concluded with the joint approval of the Parties, for Other Agreed Upon Technologies, which shall generally comport a "best efforts" commitment by the Parties jointly to maximize the commercial and financial results of the Business for the Company with respect to Other Agreed Upon Technologies, in accordance with the provisions of the Joint Venture Agreement and the Ancillary Agreements.

## ARTICLE 6

### ROYALTIES

6.1 **Basis for Royalties.** The Company shall pay the royalties to Licensor with respect to the Polymer Recycling Technology and any New Tokarz Technology which are provided for in Article 6 of this Agreement in consideration of the grant of License as set forth in Article 2 hereof, which includes certain rights to Intellectual Property Rights, the Know-How, Materials, Processes, Products, together with the Trade Secrets disclosed herewith or furnished at a later date under this Agreement by Licensor to the Company. Such royalty payments shall be made throughout the entire term of this Agreement as compensation in full for the rights set forth above and duly licensed by Licensor to the Company, provided that Licensor maintains diligent, tangible effort to improve the Intellectual Property Rights licensed to the Company hereunder, in accordance with Sections 3.1 and 3.2 hereof.

6.2 **Royalties Due with Respect to Net Sales.** The Company shall pay to Licensor a royalty equal to seven and one-half percent (7.5%) of Net Sales relating to the Polymer Recycling Technology and ten percent (10%) of Net Sales relating to any New Tokarz Technology. Royalties, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by Licensor from time to time.

6.3 **Royalties Due With Respect to Other Agreed Upon Technologies.** Royalties to be paid by the Company to Licensor with respect to Other Agreed Upon Technologies (other than any New Tokarz Technology) shall be as agreed between the Parties on a case-by-case basis. Upon completion of a satisfactory agreement to license the rights to include advanced products, materials and/or technologies, under terms acceptable to the Parties, within the scope of the Business as an Other Agreed Upon Technology, Licensor and Tokarz shall perform substantially the same functions directly and/or cause the performance of substantially the same functions for the Company under this License Agreement with respect to each Other Agreed Upon Technology, that such Party does with respect to Intellectual Property Rights, including but not limited to Licensor's and Tokarz's commitment to ongoing research and development of Other Agreed Upon Technologies as set forth in Sections 3.1 and 3.2 hereof. Accordingly, the percentage of royalties to be paid to Licensor with respect to Net Sales of Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the percentage of royalties paid by the Company to Licensor with respect to Net Sales of Polymer Recycling Technology.

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6.4 **No Separate Compensation.** There shall be no separate compensation to Licensor or Tokarz for the transfer of technology to the Company with respect to Intellectual Property Rights or rights to Other Agreed Upon Technologies, beyond the royalty payments payable to Licensor from the commercialization of the Polymer Recycling Technology and any Other Agreed Upon Technologies by the Company, as set forth in Sections 6.1, 6.2 and 6.3 hereof.

6.5 **When a Sale is Deemed to Occur.** A sale shall be deemed to have occurred when products, goods or services based upon Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

6.6 **License Year.** The term "License Year" shall mean any twelve (12) month period ending on 31 August, except that the first License Year shall commence on the Effective Date and end at the next 31 August date.

6.7 **Statements to Licensor.** Within sixty (60) days after the last day of each quarterly period in each License Year, the Company shall:

- (a) Prepare and deliver to Licensor a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for, and with respect to, all elapsed quarterly periods for the License Year;

- (i) The total amount of Net Sales related to the Polymer Recycling Technology (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer);
  - (ii) The total amount of royalties on such Net Sales related to the Polymer Recycling Technology (computed as hereinbefore provided) payable to Licensor.
  - (iii) The total amount of Net Sales related to Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (iv) The total amount of royalties on such Net Sales related to Other Agreed Upon Technologies (computed as hereinbefore provided) payable to Licensor.
- (b) Pay to Licensor the full amount of the royalties to which it is entitled for and with respect to the period or periods, of the License Year covered by the statement(s) provided for in Section 6.7.(a) hereof.

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6.8 **Books and Records.** The Company covenants and agrees:

- (a) That it will keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions there from in arriving at Net Sales related to the Polymer Recycling Technology and Other Agreed Upon Technologies and all additional data and information which may be reasonably necessary to enable Licensor's independent accountants to verify the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 6.7.(a);
- (b) That it will keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and
- (c) That it will make such commercial and financial records, books of account, data and information available to Licensor's representatives and to Licensor's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 6.7.(a) hereof. In addition, Licensor shall have the right to make copies of any of the foregoing. The independent accountants of the Company shall in the ordinary course of business provide written confirmation and certification to Licensor, at least annually, of the data to be supplied to Licensor pursuant to Section 6.7.(a) hereof. The cost of such reports shall be borne by the Company. In the event that Licensor shall cause its representatives to confirm, or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by Licensor unless such representatives shall determine, to the satisfaction of the Company's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of Licensor's representatives and/or accountants shall be borne by the Company.

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## **ARTICLE 7**

### **LICENSOR'S REPRESENTATIONS AND WARRANTIES**

Licensor hereby represents and warrants to the Company as follows:

7.1 **Ownership.** Licensor is the sole owner of all right, title and interest in and to the Intellectual Property Rights.

7.2 **Originality.** The Intellectual Property Rights consists of wholly original works, solely created and developed by Licensor under the direction of Tokarz.

7.3 **Certified Biography.** To attest to the ability of Licensor to have in and of itself been the sole developer of the Intellectual Property Rights, Licensor hereby submits to the Company the Curriculum Vitae of Tokarz, together with selected publications of Tokarz, which have been delivered to the Company.

7.4 **No Copies.** Licensor has not copied or reproduced any other Person's proprietary works, software, codes, documentation, copyrighted material, patented material, patent applications or other documents or information while developing any of the Intellectual Property Rights.

7.5 **No Infringement.** To the best knowledge and belief of Licensor, no claims of copyright or patent infringement relating to any portion of the Intellectual Property Rights have been submitted to or filed with or registered with the United States Copyright or Patent Office or any similar public office in any other country in the Territory.

7.6 **No Transfer of Rights.** Neither the Licensor nor Tokarz has ceded, transferred, licensed, conveyed or otherwise bargained away any of their right, title or interest in or to the Polymer Recycling Technology to any other Person except for the transfer of certain rights to use the Polymer Recycling Technology that have been granted by Tokarz to Speranda 1 Sp.z.o.o. ("Speranda") and, through Speranda, rights to use the Polymer Recycling Technology in Europe.

7.7 **Miscellaneous Representations and Warranties.** No third party has any claim upon, title to or interest in the Intellectual Property Rights. No third party has requested Licensor or Tokarz to prepare or develop any aspect of the Intellectual Property Rights for such third party. Licensor and Tokarz

have not mortgaged or otherwise encumbered or permitted the encumbrance of any portion of the Intellectual Property Rights. Licensor and Tokarz have not entered into any option or other agreement with any third party relating to the Intellectual Property Rights.

7.8 **Escrow of Royalties.** Licensor acknowledges that the assertion or filing of any third party claim, title or interest in or to the Intellectual Property Rights will be grounds for the Company to escrow all or any part of the monies due Licensor under this Agreement until satisfactory resolution thereof.

## **ARTICLE 8**

### **AFFIRMATIVE COVENANT OF TOKARZ**

Tokarz shall promptly assign to the Tokarz Trust all of his right, title and interest in and to all New Tokarz Technology that is developed by Tokarz during the term of the Joint Venture Agreement and shall provide copies of all such assignments to the Company and to NTI. Upon the request of the Company or NTI, Tokarz shall execute and deliver all such other instruments, certificates and other documents as may be requested by the Company or NTI in order to better evidence the transfer of his personal rights in all New Tokarz Technology to the Tokarz Trust.

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## **ARTICLE 9**

### **TERM OF AGREEMENT**

9.1 **Indefinite Term** This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

9.2 **Termination.** This License Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- (a) Terminated in accordance with Section 9.3 and/or Section 9.4 hereof;
- (b) Terminated by either Party by reason of a material Breach or Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof, or
- (c) Terminated automatically, in conjunction with the termination of the Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

9.3 **Termination Upon Change of Control of a Party.** In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been affected upon prior notification and with the written understanding of the other Party.

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9.4 **Termination Upon Bankruptcy or Insolvency.** If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

- (a) Payments due under this Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- (b) Payments due under this Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and
- (c) All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

9.5 **Payment of Amounts Due.** In the event of termination of this Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

9.6 **Cooperation Upon Termination.** Upon termination of this Agreement, the Company shall cooperate with Licensor in transferring Intellectual Property Rights, together with Trade Secrets, to Licensor or its designated assignee.

9.7 **Non-Release of Obligations.** The termination of this License Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. Upon termination of this Agreement, Trade Secrets shall continue to be kept secret and confidential by the Company.

9.8 **Cessation of Rights Upon Termination.** Upon the termination of this Agreement, for reason of Default or Breach of this Agreement or of the Joint Venture Agreement or of any Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

## ARTICLE 10

### DEFAULT

10.1 **Event of Default.** A Default (“ Default”) hereunder shall exist in the event of:

- (a) Non-payment of funds by one Party to another Party when due and owing; or
- (b) A material Breach (“Breach”) of any provision of this Agreement of the Joint Venture Agreement, or any of the other Ancillary Agreements.

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10.2 **Remedies Upon Default or Breach.** The remedies available to each Party in an instance of Default or Breach by the other Party in addition to any remedies available under the Joint Venture Agreement, shall be as follows. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this License Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this License Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party’s right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party’s Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

10.3 **Non-Waiver of Rights.** A Party’s failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Section 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Section 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

## ARTICLE 11

### DISPUTE RESOLUTION

11.1 **Dispute Resolution by Arbitration.** Any and all disputes, except as excluded under Section 11.2 hereof, which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- (a) A dispute as to whether a Default exists;
- (b) A dispute as to whether a Default entitles the non-defaulting Party to terminate this License Agreement;
- (c) A dispute as to the validity of this Article 11;
- (d) A dispute relating to the construction, meaning, interpretation, application or effect of this License Agreement or anything contained herein;
- (e) A dispute as to the rights, obligations or liabilities of the Parties hereunder.

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11.2 **Disputes Not Subject to Arbitration.** Notwithstanding anything to the contrary set forth in this License Agreement:

- (a) Arbitration may not be invoked regarding matters expressed in this License Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- (b) Arbitration may not be invoked if a Party violates the provisions of the Joint Venture Agreement relating to Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in the Joint Venture Agreement shall apply.

11.3 **Conduct of Arbitration Proceedings.** Such arbitration proceedings shall be conducted in the English language and shall be carried on in the City of Cleveland, Ohio U.S.A. or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Agreement, the laws of the State of Ohio shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys’ fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

11.4 **Designation of the “Prevailing Party”.** In each case in which arbitration is invoked under this Agreement, the Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party (“Prevailing Party”).

11.5 **Punitive Damages Excluded.** The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

## ARTICLE 12

### GENERAL PROVISIONS

12.1 **Benefit of Parties.** All of the terms and provisions of this Agreement, the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of such Party's rights hereunder (or a portion of this License Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

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12.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3 **Cooperation.** During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Agreement as well as those of the Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

12.4 **Index, Captions, Definitions and Defined Terms.** The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

12.5 **Waiver of Compliance.** The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

12.6 **Force Majeure.** In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

12.7 **Notices.** All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL, UPS or equivalent, as follows:

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If to the Company, to:

POLYMER ENERGY, LLC  
23205 Mercantile Road  
Beachwood, OH 44122

Copies to:

Northern Technologies International Corporation  
23205 Mercantile Road  
Beachwood, OH 44122  
Attention: Chairman

And

Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President

If to Licensor, to:

Zbigniew Tokarz, Trustee U/A Dated June 26, 2003  
c/o Charles T. Weible  
Weible & Associates Co.  
3505 E. Royalton Road, Suite 150  
Broadview Heights, OH 44147-2994  
Telefax: 1-440-746-0782

or to such other address as may be specified in writing by any of the above.

12.8 **Entire Agreement.** This Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Agreement so as to provide for expansion both of Net Sales of the Polymer Recycling Technology and of the scope of the Business with Other Agreed Upon Technologies. Any amendment or supplement to this Agreement, the Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include corporate resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof. In the case of any conflict between the terms of this Agreement and the terms of the Joint Venture Agreement, the terms of the Joint Venture Agreement shall prevail.

12.9 **Validity of Provisions.** Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

12.10 **Governmental Filings.** The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. Licensor shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

12.11 **Payments.** Any payment to be made by the Company to Licensor pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by Licensor. Licensor shall have the right to specify in writing any bank account to which payments due shall be made.

12.12 **Derivative Enforcement by NTI.** NTI may, derivatively for and on behalf of the Company, enforce the terms hereof against Licensor in the event of a material Breach or Default of this Agreement by Licensor. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 11 hereof.

12.13 **Changes Subject to Approval of NTI.** The parties to this Agreement shall not change, modify or amend this License Agreement in any respect without the prior written consent of NTI.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**POLYMER ENERGY, LLC**

/s/ Zbigniew Tokarz

By /s/

**ZBIGNIEW TOKARZ, TRUSTEE**  
U/A DATED JUNE 26, 2003

**(“Licensee”)**

**(“Licensor”)**

#### APPROVAL OF NTI

By its signature hereto NTI approves and agrees to the terms and provisions of this License Agreement and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that NTI shall also have a direct right of action in its own name for the enforcement of the provisions of this License Agreement.

**NORTHERN TECHNOLOGIES**  
**INTERNATIONAL CORPORATION**

By /s/ Philip M. Lynch

#### APPROVAL OF TOKARZ

By his signature hereto Tokarz individually approves and agrees to the terms and provisions of this License Agreement and agrees to be bound thereto to the extent that such terms and provisions are applicable to him, it being understood that Tokarz shall also have a direct right of action in his own name for the enforcement of the provisions of this License Agreement.

/s/ Zbigniew Tokarz

**ZBIGNIEW TOKARZ, Individually**

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**POLYMER ENERGY**

**JOINT VENTURE AGREEMENT**

THIS JOINT VENTURE AGREEMENT (“Agreement”), is entered into as of June 26, 2003 by and among ZBIGNIEW TOKARZ, TRUSTEE U/A DATED JUNE 26, 2003 (“Tokarz Trust”), MACIEJ ZALEWSKI, TRUSTEE U/A DATED JUNE 26, 2003 (“Zalewski Trust”), ATAGENCER LLC, an Ohio limited liability company (“Atagencer”), and NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION, a corporation organized under the laws of the State of Delaware, U.S.A. (“NTI”). The Tokarz Trust, the Zalewski Trust, Atagencer and NTI are each sometimes hereinafter referred to as a “Party” and are collectively hereinafter referred to as the “Parties.”

**RECITALS:**

WHEREAS, the Parties desire to form a Joint Venture in the form of a new limited liability company organized under the laws of Ohio, U.S.A. to engage in the “Business” (as hereinafter defined); and

WHEREAS, the Joint Venture shall be called **Polymer Energy, LLC** (the “Company”);

NOW THEREFORE, in consideration of the mutual promises, agreements, representations, warranties, covenants and provisions herein contained, and intending to be legally bound hereby, the Parties agree as follows:

**ARTICLE 1**

**DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

- 1.1 **Affiliate.** Any Person that controls, is controlled by, or is under common control with, another Person.
- 1.2 **Agents.** The officers, employees, consultants or other representatives of any of the Parties or of the Company.
- 1.3 **Ancillary Agreements.** The following are the Ancillary Agreements and the Parties thereto:
  - (a) **License Agreement.** License Agreement dated as of the Effective Date between Zbigniew Tokarz, Trustee U/A Dated June 26, 2003, as licensor, and the Company, as licensee, concerning the Polymer Recycling Technology (“License Agreement”).

- (b) **Technical Assistance Agreements.** Technical Assistance and Marketing Support Agreements dated as of the Effective Date between the Company and each of the following: the Zalewski Trust and Atagencer (“Technical Assistance Agreements”).
- (c) **Management Agreement.** Management and Marketing Agreement dated as of the Effective Date between the Company and NTI (“Management Agreement”).

(d) **Operating Agreement.** Operating Agreement of the Company dated as of the Effective Date among the Shareholders of the Company.

1.4 **Atagencer.** Atagencer, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A.

1.5 **At Cost.** Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription "At Cost").

1.6 **Business.** The commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology throughout the Territory, including the manufacturing, promotion and sale of Products, the providing of Services, and all other methods of commercialization of the Intellectual Property Rights.

1.7 **Change of Control.** Any change in ownership, management, control or scope of business activities of a Party that could affect the performance of the duties and/or obligations of such Party under this Agreement or any of the Ancillary Agreements.

1.8 **Company.** Polymer Energy, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. as a joint venture entity pursuant to this Agreement to conduct the Business in the Territory.

1.9 **Effective Date.** The date of this Agreement.

1.10 **Intellectual Property Rights.** The Polymer Recycling Technology and any Other Agreed Upon Technology, including the Know-How, Materials, Processes, Trademarks, and Trade Secrets, (all as hereinafter defined), collectively, as the same currently exist and shall hereafter be modified, developed and/or acquired by the Company.

1.11 **Joint Venture Agreement.** This Joint Venture Agreement by and among the Parties relating to the formation and governance of the Company and the conduct of the Business.

1.12 **Know-How.** The technology, formulae, methods and procedures developed by the Company which are unique in nature and essential or useful in the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies, together with all improvements and modifications with respect thereto.

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1.13 **Materials.** The constituent materials and chemicals of one or more formulations developed by the Company which are required for commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies.

1.14 **Net Sales.** The gross proceeds received by the Company from the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party to this Agreement, less (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.15 **New Technology.** Any new technology developed by any of Atagencer, Mehmet Gencer, Tokarz, the Tokarz Trust, Zalewski or the Zalewski Trust during the term of this Agreement that is determined by the Parties to be desirable by the Company as part of the Business and that subsequently becomes an Other Agreed Upon Technology.

1.16 **NTI.** Northern Technologies International Corporation, a corporation organized under the laws of the State of Delaware, U.S.A.

1.17 **Operating Agreement.** The Operating Agreement of the Company dated as of the Effective Date and signed by the Parties to this Agreement.

1.18 **Other Agreed Upon Technologies.** In conformity with the objectives of the Parties to expand the Business over time, products, materials and/or technologies, including any New Technology, identified by the Parties over time which are both compatible with the Business and susceptible of being profitably marketed through and/or by the Company in the Territory. Upon agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Company's activities, and successful negotiation of all requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Business as "Other Agreed Upon Technologies" to be treated as set forth in this Agreement and/or the Ancillary Agreements.

1.19 **Parties.** The Parties to this Agreement and/or the Ancillary Agreements, as applicable, and their successors and permitted assigns.

1.20 **Person.** A corporation, partnership, limited liability company or other entity, however denominated, and any natural person.

1.21 **Polymer Recycling Technology.** A method for continuous conversion of polyolefinic plastics wastes (such as polyethylene or polypropylene) to a liquid mixture of non-saturated and saturated hydrocarbons, constituting high quality paraffin, and a device to realize said method, including, without limitation, certain rights to the patents, patent applications, know-how and related intellectual property described in **Exhibit A** attached hereto.

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1.22 **Processes.** The procedures utilizing the Know-How for the manufacture of Products as developed and specified by the Company, together with any improvements of and modifications to the same as it relates to the manufacturing of Products, together with future technology, knowledge and product development which is useful in the manufacture of Products.

1.23 **Products.** Any products, including machinery and equipment, manufactured by or for the Company utilizing the Polymer Recycling Technology and any Other Agreed Upon Technologies, incorporating the Materials or Processes, or utilizing the Trademarks, all of which have been developed by and are owned and/or licensed by the Company.

1.24 **Prototype.** A prototype of the machinery and equipment required to practice or use the Polymer Recycling Technology.

1.25 **Services.** Services utilizing or based upon the Polymer Recycling Technology or any Other Agreed Upon Technology.

1.26 **Shareholder.** Any holder, from time to time, of Shares of the Company and who is a Party to this Agreement or who may become a Party to this Agreement in the future.

1.27 **Shares.** Any validly issued shares or membership interests in the Company owned by any Shareholder pursuant to this Agreement.

1.28 **Territory.** All NAFTA countries (including Canada, the United States and Mexico) and all countries of Asia (including all ASEAN countries as well as India, Japan, China and Turkey), as well as any other countries as shall be agreed among the Parties.

1.29 **Tokarz.** Zbigniew Tokarz, a natural Person.

1.30 **Tokarz Trust.** Irrevocable Trust Agreement of Zbigniew Tokarz dated June 26, 2003.

1.31 **Trademarks.** Any trademarks now or hereafter owned or licensed by the Company in connection with the Business, including all trade literature, technical specifications and application instructions and promotional material pertaining thereto, together with all ancillary trademark registrations, which may differ between various jurisdictions.

1.32 **Trade Secrets.** Trade Secrets includes both Company Trade Secrets (as defined in Section 13.1 of this Agreement) and Shareholder Trade Secrets (as defined in Section 14.1 of this Agreement).

1.33 **Zalewski.** Maciej Zalewski, a natural Person.

1.34 **Zalewski Trust.** Irrevocable Trust Agreement of Maciej Zalewski dated June 26, 2003.

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## **ARTICLE 2**

### **MUTUAL REPRESENTATIONS**

2.1 **Representations of NTI.** NTI hereby represents and warrants to the other Parties to this Agreement as follows:

- (a) **Organization and Standing.** NTI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, U.S.A. NTI is qualified to do business in and in good standing under the laws of the State of Ohio, U.S.A.
- (b) **Due Authorization.** This Agreement and the Ancillary Agreements to which NTI is a Party have been duly authorized by appropriate corporate action of NTI and are binding upon NTI in accordance with their respective terms.
- (c) **No Violation of Other Agreements.** By entering into this Agreement and any of the Ancillary Agreements to which it is a Party, NTI will not violate or cause a default to occur under any other agreements to which it is a party.
- (d) **Absence of Litigation.** There are no lawsuits or legal actions pending or, to the knowledge of NTI, threatened against NTI that would have a material adverse effect upon NTI's ability to perform its obligations under this Agreement or the Ancillary Agreements to which it is a Party.

2.2 **Representations of the Parties (other than NTI).** Each of the Parties (other than NTI) hereby represents and warrants to the other Parties as follows:

- (a) **Organization and Standing.** Each such Party that is an entity is duly organized, validly existing and is in good standing under the laws of the jurisdiction of its organization and is in good standing under the laws of the jurisdiction where it has its principal place of business.
- (b) **Due Authorization.** This Agreement and the Ancillary Agreements to which it is a Party have been duly authorized by appropriate action of such Party and the same are binding upon such Party in accordance with their respective terms.
- (c) **No Violation of Other Agreements.** By entering into this Agreement and any of the Ancillary Agreements to which it is a Party, such Party will not violate or cause a default to occur under any other agreements to which it is a party.

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- (d) **Absence of Litigation.** There are no lawsuits or legal actions pending or, to the knowledge of such Party threatened against such Party that would have a material adverse effect upon such Party's ability to perform its obligations under this Agreement or the Ancillary Agreements to which it is a Party.

## **ARTICLE 3**

### **PURPOSES OF THE JOINT VENTURE**

The purposes of the Joint Venture are to:

- (a) conduct the Business for the benefit of the Parties;
- (b) protect and preserve the Intellectual Property Rights in the Territory under the terms of this Agreement and the Ancillary Agreements;
- (c) manufacture, promote and sell Products and perform Services in the Territory under the terms hereof and of the Ancillary Agreements; and
- (d) provide for the implementation of the Ancillary Agreements for the benefit of the respective Parties.

#### ARTICLE 4

##### FORMATION OF JOINT VENTURE ENTITY

4.1 **Formation of the Company.** With the signing of this Agreement, the Parties have signified their agreement that the Company, which was organized prior to the date of this Agreement but which has not yet engaged in any business, shall be used as the joint venture entity among the Parties pursuant to this Agreement. The Company's name shall be Polymer Energy, LLC. The Company's principal place of business shall be 23205 Mercantile Road, Beachwood, Ohio 44122 or at such other place as may be determined by the Parties.

4.2 **LLC Documents.** Copies of the Articles of Organization and the Operating Agreement have been provided to the Parties. In the event of any inconsistency between this Agreement and either the Articles of Organization or the Operating Agreement of the Company, the provisions of this Agreement shall govern.

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4.3 **Capitalization.** Ten Thousand (10,000) Shares of the Company shall be subscribed for by and issued to the Parties as follows:

<u>Name and Address</u>	<u>Percentage Ownership</u>	<u>Number of Shares</u>
Northern Technologies International Corporation, a Delaware Corporation	50.00%	5,000 sh.
Zbigniew Tokarz, Trustee U/A Dated June 26, 2003	25.00%	2,500 sh.
Maciej Zalewski, Trustee U/A Dated June 26, 2003	12.50%	1,250 sh.
Atagencer LLC, an Ohio limited liability company	12.50%	1,250 sh.
	<b>Total 100.00%</b>	<b>10,000 sh.</b>

The consideration for the issuance of Shares by the Company is set forth in Section 4.4 below.

4.4 **Consideration for Issuance of Shares to the Parties.** In consideration for Zbigniew Tokarz, Trustee U/A June 26, 2003 licensing the Polymer Recycling Technology to the Company pursuant to the terms of the License Agreement, the Parties shall cause the Company to issue 2,500 Shares to the Tokarz Trust. In consideration for NTI entering into the Management Agreement with the Company, the Parties shall cause the Company to issue 5,000 Shares to NTI. In consideration for each of the Zalewski Trust and Atagencer entering into separate Technical Assistance Agreements with the Company, the Parties shall cause the Company to issue 1,250 Shares to each of the Zalewski Trust and Atagencer.

4.5 **Parallel Rights to Subscribe for Additional Shares.** If additional Shares are hereafter to be issued by the Company, the Shareholders of the Company shall have the right to purchase such additional Shares in the same proportion as their holdings of Shares at the time of the issuance thereof.

#### ARTICLE 5

##### ANCILLARY AGREEMENTS

5.1 **Execution of Ancillary Agreements.** In furtherance of the Business, the Parties and the Company shall enter into the following (collectively, the "Ancillary Agreements") which shall each be effective as of the Effective Date:

- (a) the License Agreement;
- (b) the Technical Assistance Agreements;
- (c) the Management Agreement; and
- (d) the Operating Agreement.

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5.2 **Ancillary Agreements Incorporated by Reference.** The provisions of the Ancillary Agreements are incorporated herein by reference and made a part hereof.

## ARTICLE 6

### MANAGERS AND CEO

6.1 **Election of Managers.** The Company shall have a Board of Managers consisting of six (6) Persons. NTI shall have the right to designate three (3) Managers, who shall initially be Philip M. Lynch, Patrick Lynch and Anna Zalewska. Atagencer shall have the right to designate one (1) Manager, who shall initially be Mehmet Gencer. The Tokarz Trust shall have the right to designate two (2) Managers, who shall initially be Tokarz and Zalewski. The Parties, as Shareholders of the Company, agree that at meetings of Shareholders they shall cast their entire vote in favor of any person(s) designated by the other Parties as Managers or Substitute Managers (as hereinafter defined) to fill their pro rata share of Manager positions in accordance with the provisions hereof.

6.2 **Substitute Managers.** A Party shall have the right to designate a Substitute Manager ("Substitute Manager") in the event that a Manager previously designated by such Party shall resign, retire, die, or otherwise be unable or unavailable to serve.

6.3 **Chairman and Vice Chairman of the Company.** Zalewski shall be designated the Chairman of the Company ("Chairman") and Philip M. Lynch shall be designated the Vice Chairman of the Company ("Vice Chairman"), with the responsibility and authority to implement this Agreement and the Ancillary Agreements, as well as such resolutions as may be passed from time to time by the Board of Managers of the Company. Any successor as Chairman or Vice Chairman, and designation of any other officers of the Company that may be appointed from time to time shall be approved by the Board of Managers and shall be further subject to the approval of NTI, which approval shall not be unreasonably withheld.

## ARTICLE 7

### RESPONSIBILITIES AND DUTIES OF THE PARTIES

7.1 **Responsibilities of the Parties.** It shall be the responsibility of all Parties to effect the Purposes of the Joint Venture pursuant to Article 3 hereof.

7.2 **Specific Responsibilities and Duties of Individual Parties.** Specific responsibilities and duties to be fulfilled by individual Parties to this Agreement are set forth in the Ancillary Agreements.

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7.3 **Actions Requiring Consent of All Parties.** In addition to other provisions of this Agreement and/or the Ancillary Agreements requiring the consent or approval of all the Parties, the unanimous specific written consent of each Party hereto shall be required before the Company may take any of the following actions:

- (a) Establish annual operating budgets for the Company which Chief Executive Officer shall prepare and submit each such budget no later than June 30 of each year for the following fiscal year;
- (b) Determine the amount of funds to be allocated to the purchase of Other Agreed Upon Technologies;
- (c) Sell, assign, transfer, exchange or otherwise dispose of any assets of the Company, other than in the ordinary course of business;
- (d) Mortgage, pledge, encumber or hypothecate any of the assets of the Company;
- (e) Change the Company's independent certified public accountants after the same have been appointed by the mutual consent of the Parties;
- (f) Change or allow a change in the accounting procedures employed in maintaining the Company's books of account or in preparing financial statements with respect to the operations of the Company or the Business;
- (g) Obligate the Company as a surety, guarantor or accommodation party to any obligation, lend funds belonging to the Company to any third party, or extend credit to any person, firm or entity, on behalf of the Company, other than in the ordinary course of business;
- (h) File material litigation against third parties on behalf of the Company or confess judgment on behalf of the Company;
- (i) Amend the Articles of Organization or the Operating Agreement of the Company;
- (j) Cause the Company to issue any Shares or any debt securities or to increase its capitalization;
- (k) Borrow any money on behalf of the Company requiring a mortgage or other form of security in favor of the lender, except that a security interest in inventory and receivables authorized by the Chief Executive Officer of the Company in the ordinary course of business shall be permissible;
- (l) Cause the Company to merge or consolidate with or into any other legal entity or acquire any other legal entity;
- (m) Cause the Company to dissolve or to liquidate;

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- (n) Cause the Company to engage in any business activity that is outside the scope of the Business;
  - (o) Form any subsidiary or other legal entity;
  - (p) Cause the Company to enter into a transaction or business relationship with any of the Parties hereto, other than as may be expressly provided for by this Agreement and/or the Ancillary Agreements, other than on an arm's-length basis and on prices and terms no more favorable to the Party than could have been obtained from an independent third party;

- (q) Establish pricing, discount structures, and terms of trade for Products, Services and Other Agreed Upon Technologies in the Territory;
- (r) Sell, license or otherwise convey to any third party the Intellectual Property Rights or any right thereto deriving from this Agreement or the Ancillary Agreements;
- (s) Engage or dismiss the Chief Executive Officer and other key employees of the Company and/or fix compensation for such personnel, including bonuses and perquisites; and
- (t) Acquire fixed assets for and on behalf of the Company.

7.4 **Special Resolutions.** Upon reaching unanimous agreement as to the actions set forth in Section 7.3, hereof, the Parties shall vote their shares to adopt any special resolutions to implement such actions as may be required by the laws of the State of Ohio, U.S.A.

7.5 **Development of Prototype(s).** Upon execution of this Agreement and the Ancillary Agreements by the Parties, NTI shall make a capital contribution to the Company in the amount of Fifty Thousand Dollars (\$50,000) U.S., plus such additional amounts that will be sufficient (in NTI's judgment) to enable the Company to:

- (a) Pay the reasonable travel expenses of Tokarz to the United States to assist in the design and manufacturing of one or more Prototypes; and
- (b) Pay the cost of developing and manufacturing one or more Prototypes.

NTI's aggregate financial obligation under this Section 7.5 shall not exceed Fifty Thousand Dollars U.S. (\$50,000), unless otherwise agreed by NTI.

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## ARTICLE 8

### DEVELOPMENT OF THE COMPANY'S AGENTS

8.1 **Development of Company's Agents.** Depending on the development of business and within the judgment of the Board of Managers, the Company may engage its own Agents to assist the Chief Executive Officer in the performance of his duties and responsibilities, and to implement actions taken by the Parties in performance of their duties and responsibilities hereunder and as set forth in the Ancillary Agreements.

8.2 **Corporate Governance Policies.** NTI shall be responsible to ensure that corporate governance policies appropriate to the North American countries within the Territory, including but not limited to human relations, compensation, terms of employment, taxation and employee benefits, are implemented and maintained by the Company with respect to all Agents, third party providers to the Company, and other individuals and entities which now have or which come to have a commercial or financial relationship of any nature with the Company. NTI shall cause one or more other Persons of its choice to be responsible for ensuring that corporate governance policies appropriate to each other country within the Territory are implemented and maintained by the Company at such time as the Company begins conducting the Business in each such country.

## ARTICLE 9

### PAYMENTS TO RELATED PARTIES FOR SERVICES

9.1 **Payments to Related Parties for Services Performed.** The following payments shall be made by the Company to the Parties for services that they perform in the normal course of business pursuant to this Agreement and the Ancillary Agreements:

- (a) The Tokarz Trust shall be paid seven and one-half percent (7.5%) of Net Sales relating to the Polymer Recycling Technology and ten percent (10%) of Net Sales relating to any New Tokarz Technologies pursuant to the terms of the License Agreement as its total compensation under the License Agreement.
- (b) NTI shall be paid fifteen percent (15%) of Net Sales as its total compensation for services rendered pursuant to the terms of the Management Agreement;
- (c) The Zalewski Trust shall be paid three and three-quarters percent (3.75%) of Net Sales as its total compensation for services rendered pursuant to the terms of the Technical Assistance Agreement between the Company and the Zalewski Trust.
- (d) Atagencer shall be paid three and three-quarters percent (3.75%) of Net Sales as its total compensation for services rendered pursuant to the terms of the Technical Assistance Agreement between the Company and Atagencer.

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9.2 **Payments with Respect to Other Agreed Upon Technologies.** Compensation to the Parties with respect to Other Agreed Upon Technologies shall be determined on a case-by-case basis, as specific opportunities to add Other Agreed Upon Technologies to the scope of the Business may arise. It is the intent of the Parties, however, to share joint responsibility for the proper commercial and technical development of Other Agreed Upon Technologies in the Territory; and in general, each Party to this Agreement shall be responsible to perform substantially the same set of functions with respect to Other Agreed Upon Technologies that such Party does with respect to the initial commercial exploitation of the Polymer Recycling Technology. It shall therefore be a general precept of this Agreement that compensation to the Parties for services rendered with respect to Other Agreed Upon Technologies shall be equal, as a percentage of Net Sales relating to Other Agreed Upon Technologies, to the percentage of Net Sales payable to each Party, respectively, for such Party's services relating to the initial commercial exploitation of the Polymer Recycling Technology, reflecting the individual contributions of each Party, and such compensation shall be allocated within the format of the Ancillary Agreements.

9.3 **Payments Related to Special Programs.** After the payments and distributions referred to in Sections 9.1 and 9.2 have been made to the Parties, the Parties may determine that additional Special Programs for Promotion and Development ("Special Programs") may be necessary, desirable or

appropriate in any given fiscal year to accelerate the pace or redirect the progression and evolution of the Company. In such event, upon prior unanimous approval by the Parties, additional funds may be allocated by the Company for Special Programs to be conducted by the Parties, which shall involve joint responsibility of the Parties in the same percentage allocations as are set forth in Sections 9.1 and 9.2 of this Agreement.

9.4 **Limitation of Compensation to Related Parties.** Except as otherwise provided in this Agreement and the Ancillary Agreements, all financial transactions between the Company and the Parties other than as set forth in Article 9 hereof shall be At Cost.

## **ARTICLE 10**

### **COVERAGE OF FINANCIAL SHORTFALLS**

In the event that there shall be a shortfall in any given fiscal year, the shortfall shall be borne by the Parties in proportion to their respective Shareholdings of the Company; provided, however, that no Party shall have any obligation to cover shortfalls beyond the point that the equity of the Company shall be exhausted. The Parties may, however, in the sole discretion of each Party, elect to provide financial support over and above their equity in the Company.

## **ARTICLE 11**

### **FINANCIAL BOOKS AND RECORDS - BANKING**

11.1 **Fiscal Year.** The fiscal year of the Company shall commence every year on 1 September and end on 31 August of the next year. The books of accounts shall be closed at the end of each fiscal year, and audited financial statements shall be prepared by a recognized firm of certified public accountants showing the financial condition of the Company and the results of its operations for such fiscal year. Copies of the audited annual financial statements and unaudited monthly and/or quarterly financial statements shall be provided to each of the Parties.

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11.2 **Access to Books and Records.** The Company's financial books, records and statements of account shall be kept at the principal place of business of the Company, and each Party shall have the right at all reasonable times to inspect and copy same.

11.3 **Bank Accounts.** All of the Company's funds shall be deposited in its name in such bank account or accounts as shall be designated from time to time by the Board of Managers. Withdrawals from such account or accounts shall be made by checks or other appropriate instruments signed by the Chief Executive Officer and such other officers or persons as the Board of Managers shall from time to time duly designate.

## **ARTICLE 12**

### **INSURANCE**

12.1 **Independent Insurance Coverage.** The Parties shall cause the Company to obtain and to maintain property damage, product liability, public liability and other liability, casualty, and general insurance for the Business, as deemed adequate for the proper conduct of the Business in the Territory. In the event that insurance is provided by means of an amendment or rider to existing insurance maintained by any of the Parties, then the cost thereof, to the extent that the basic insurance cost of such party is thereby increased, shall be borne by and paid for by the Company.

12.2 **Inclusion of the Company as a Named Insured Under the Insurance Coverage of a Party.** To the extent possible, each Party shall include the Company as a named insured under its own insurance coverage.

## **ARTICLE 13**

### **PROTECTION OF COMPANY TRADE SECRETS**

13.1 **Recognition of Trade Secrets.** Each Party acknowledges and agrees that all Intellectual Property Rights, Trade Secrets, Know-How, Materials, Processes and other information relating to the Business that is deemed confidential by the Company and designated as such by the Company, including but not limited to all applications of the Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are hereinafter referred to as "Company Trade Secrets" and constitute valuable property rights of the Company.

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13.2 **Protection of Company Trade Secrets by Parties.** During the term of this Agreement, as well as following its termination and for all times thereafter, each Party shall keep secret and confidential all Company Trade Secrets which it now knows or may hereafter come to know as a result of this Agreement and the Ancillary Agreements. The Company Trade Secrets shall not be disclosed by any of the Parties to third parties and shall be kept secret and confidential, except (i) to the extent that such information has entered into the public domain by means other than the improper actions of such Party, (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body, or (iii) to the extent that the disclosure thereof to third parties who have executed confidentiality agreements reasonably acceptable to NTI is required in the ordinary course of the Business as conducted by the Parties pursuant to this Agreement and the Ancillary Agreements. If a Company Trade Secret shall be in the public domain as the result of the action of any Party or any Agent thereof, then such Party shall nevertheless continue to keep such Company Trade Secret secret and inviolate.

13.3 **Protection of Company Trade Secrets by Agents.** No Party nor its Agents shall at any time copy, remove from their proper location - be it within the Company or elsewhere - or retain without the Company's prior written consent, the originals or copies of any Company Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of any other Party or of the Company. It is understood that from time to time it may be necessary for certain of the foregoing items to be copied or removed from their location; however, this shall be done subject to the requirements of this Section, and the original material shall be returned to its proper location as soon as possible and the confidential nature and integrity of the foregoing as Company Trade Secrets shall be strictly maintained both as to original documents and all copies thereof.

(a) Insofar as the Agents who come in contact with Company Trade Secrets are concerned, such Party shall cause such Agents to enter

into Company Trade Secrecy Agreements in the form approved by the Company. Each Party shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Company Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

- (b) All of the Parties are intended third party beneficiaries of the Company Trade Secrecy Agreements, and each of the Parties may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company, directly enforce the provisions of the Company Trade Secrecy Agreements and/or any breach thereof against all Persons who have executed the same.

13.4 **Remedies in the Event of a Violation.** In the event of any violation or threatened violation of the provisions of this Article 13 by any Party or its Agents, the Company's remedy at law will be inadequate and the Company will suffer irreparable injury. Accordingly, each Party consents to injunctive and other appropriate equitable relief, without the need to post any bond, upon the institution of legal proceedings therefor by the Company in any court of competent jurisdiction to protect the Company Trade Secrets. Such relief shall be in addition to any other relief to which the Company may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement in respect of such Party in the event of a violation of the provisions of this Article 13.

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## **ARTICLE 14**

### **PROTECTION OF SHAREHOLDER TRADE SECRETS**

14.1 **Identification of Shareholder Trade Secrets.** It is not intended that any Party must impart its own technology or trade secrets to the Company. The Parties recognize, however, that in order to further the Business, a Party may impart information to the Company which such Party considers to be proprietary in nature and thus wishes to be kept confidential ("Shareholder Trade Secrets"), and that such Shareholder Trade Secrets may come to be imparted to other Parties through the Company. In order for such information to be treated as Shareholder Trade Secrets, a Party must notify the Company and the other Parties in writing in advance of any disclosure that the information it is about to disclose constitutes Shareholder Trade Secrets.

14.2 **Protection of Shareholder Trade Secrets.** During the term of this Agreement, and following its termination and for all times thereafter, each Party shall keep secret and confidential all Shareholder Trade Secrets which it now knows or may hereafter come to know as a result of this Agreement and the Ancillary Agreements. Shareholder Trade Secrets shall not be disclosed by any Party to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Party who desires to protect such Shareholder Trade Secret, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a Shareholder Trade Secret shall be in the public domain as the result of an act by any Party or any Agent thereof, then such Party shall nevertheless continue to keep such Shareholder Trade Secret secret and inviolate.

14.3 **Shareholder Trade Secrecy Agreements.** No Party nor its Agents shall at any time copy, remove from their proper location - be it within the Company or elsewhere - or retain without prior written consent, the originals or copies of any Shareholder Trade Secrets of another Party. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Section that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as Shareholder Trade Secrets be strictly maintained both as to original documents and copies thereof.

- (a) Insofar as the Agents of any Party who come in contact with Shareholder Trade Secrets are concerned, such Party shall cause such Agents to enter into Shareholder Trade Secrecy Agreements in the form approved by the Company. Each Party shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Shareholder Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

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- (b) Each Party desiring to protect its own Shareholder Trade Secrets is an intended third party beneficiary of the Shareholder Trade Secrecy Agreements, and each Party may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the any Shareholder Trade Secrecy Agreement(s) and/or any breach thereof against any and all Agents of the other Parties who have executed the same.

14.4 **Remedies in the Event of a Violation.** In the event of any violation or threatened violation of the provisions of this Article 14 by any Party and/or its Agents, the remedy at law of the Party desiring to protect its own Shareholder Trade Secrets will be inadequate, and such Party will suffer irreparable injury. Accordingly, each Party consents to injunctive and other appropriate equitable relief without the need to post any bond, upon the institution of legal proceedings against such Party for a violation or threatened violation of the provisions of this Article 14 in any court of competent jurisdiction to protect the Shareholder Trade Secrets. Such relief shall be in addition to any other relief to which the affected Party may be entitled, at law or in equity, including the right of immediate termination of this Agreement.

## **ARTICLE 15**

### **CORPORATE OPPORTUNITY DOCTRINE**

15.1 **Observance of Corporate Opportunity Doctrine.** It is the intent of the Parties to this Agreement and the Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development and implementation of the Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under this Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales from the commercial exploitation of the Polymer Recycling Technology or the Other Agreed Upon Technologies, or the application of the Intellectual Property Rights in the Territory. ("Corporate Opportunity").

15.2 **Agreement Not to Divert Resources.** During the term of this Agreement the Parties shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing,

management, operation or control of, a business which would impede, substitute, displace or divert Net Sales from the Company arising from the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies within the Territory except through the Company in furtherance of the Business. During said term no Party shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material breach of this Agreement by a Party; (ii) because of a material breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 17 hereof; (iv) pursuant to Article 18 hereof; or (v) upon a breach of Articles 13, 14 or 15 hereof, then the Party in breach or subject to such adverse condition shall continue to be bound by the provisions of Articles 13, 14 and 15 of this Agreement for a period of three (3) years following the date of termination, but such Party shall at no time be permitted to use the Company Trade Secrets, and the other Parties shall at no time be permitted to use the Shareholder Trade Secrets of the Party in breach, as the case may be, for any activity outside the Company, including but not limited to such activities which would have the effect of diverting resources from the Company.

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15.3 **Remedies for Breach.** In the event of a violation or threatened violation of the provisions of Article 15 hereof by a Party, the remedy at law will be inadequate and the other Party or Parties to this Agreement shall suffer irreparable injury. Accordingly, each Party consents to injunctive or other appropriate equitable relief, without the need to post any bond, upon the institution of legal proceedings therefor by the non-violating Party or Parties. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, including the right of immediate termination of this Agreement.

## **ARTICLE 16**

### **LICENSE OF IMPROVEMENTS TO THE COMPANY**

16.1 **Disclosure of Improvements.** Each Party hereby agrees to promptly disclose to the Company any improvements or modifications to the Intellectual Property Rights of whatever nature or description which come to be learned by such Party or which are made by or through its efforts without any obligation by the Company to make payment therefor.

16.2 **Grant of License to the Company.** Each Party hereby grants to the Company an exclusive, fully paid-up worldwide right and license, under any intellectual property rights, trade secrets and know-how owned, controlled, acquired or which may otherwise be transferred or granted to such Party in, from or through its operations during the term of this Agreement, to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements in and modifications to the Intellectual Property Rights together with the Know-How, Materials, Processes and/or Products or Services and/or to sublicense third parties to do the same.

16.3 **Obligations to File New Patents.** In the event that NTI shall determine, in its sole judgment, that any Intellectual Property Rights or Know-How of the Company, as the same presently exist or may hereafter arise, is of sufficient commercial value to warrant patenting and is in fact patentable in the United States or elsewhere in the Territory, then upon NTI's request and at NTI's expense (which shall not include special compensation to the Company or any other Person), each Party shall take all necessary and reasonable steps to prepare the requisite technical documents for the filing of a patent application and take such other steps as are normally incident to the filing and processing of patent applications and the issuance of patents relating thereto.

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16.4 **Review of Potentially Infringing Technology.** In the event that a Party shall learn of any technology, processes or patent developed or owned by third parties which may infringe or otherwise be in conflict with the Intellectual Property Rights, then such Party shall forthwith provide the Company and NTI with whatever information it may have with respect thereto. The Company, NTI and such Party will then consult with one another as to:

- (a) Taking appropriate legal action against such third party for infringement of the Intellectual Property Rights together with the Company; and/or
- (b) Purchasing, licensing or otherwise acquiring rights to such technology, processes or patents of such third parties, in which event such rights as are acquired shall be extended to the Company pursuant to Section 16.2 hereof. Based upon their joint decision, such Party shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

16.5 **Unrelated Technologies.** The Company shall have no claim on any of the Parties for any of the technologies of such Parties that are unrelated to the Intellectual Property Rights. It is acknowledged by the Tokarz Trust, the Zalewski Trust and Atagencer that each such Party, or the Affiliate of each such Party, is a creative scientist who desires and intends to engage in research and other creative activities during his or her professional career outside the scope of the Intellectual Property Rights. Nothing in this Agreement is intended in any manner to limit or prohibit any such Party from continuing in such activities and such Parties are encouraged to do so. Each such Party shall be entitled to receive all economic benefits, compensation and profits to which such Party may be entitled as a result of such unrelated technology. In the event, however, that such Party wishes to disclose such unrelated technology or any matters arising therefrom to the Company and the Company is interested in obtaining information with respect thereto looking toward the possible commercialization thereof on essentially the same terms as set forth in this Agreement, then the Company agrees that it will enter into an appropriate non-disclosure and trade secrecy agreement protecting such Party from any improper utilization by the Company of the information disclosed to it by such Party on a confidential basis.

## **ARTICLE 17**

### **TERM OF AGREEMENT**

17.1 **Indefinite Term.** This Agreement shall become effective on the Effective Date and shall continue in effect, unless otherwise terminated in accordance with the provisions hereof, for an indefinite term of years.

17.2 **Termination.** This Agreement may be terminated:

- (a) By the Parties in accordance with the provisions of Articles 13, 14 and 15 hereof;
- (b) In accordance with Section 17.3 and Section 17.4 hereof;
- (c) By the Parties by reason of a material Breach or Default of this Agreement by a Party which has not been cured or remedied in

- (d) Automatically, in conjunction with the termination of any of the Ancillary Agreements by a Party thereto by reason of a material breach (as therein defined) or default (as therein defined) of any such Ancillary Agreement by a Party thereto, which breach or default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by any Party hereto.

17.3 **Termination Upon Change of Control of a Party.** In the event that a Change of Control of a Party hereto shall occur, then the other Parties may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been effected upon prior notification to and with the written agreement of, the other Parties.

17.4 **Termination Upon Bankruptcy or Insolvency.** If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Parties, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then such Party shall continue to perform under the terms of this Agreement if:

- (a) Payments due under this Agreement for past obligations are tendered in full by the Party subject to such proceedings;
- (b) Payments due under this Agreement for present obligations are tendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Parties; and
- (c) All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

17.5 **Payment of Amounts Due.** In the event of termination of this Agreement, each Party shall pay to each other Party and to the Company all amounts due and owing by such Party pursuant to this Agreement prior to the effective date of termination.

17.6 **Cooperation Upon Termination.** Upon termination of this Agreement, the Parties shall cooperate with each other and with the Company in transferring all Shareholder Trade Secrets and other intellectual property rights of any Party back to the Party that is the owner of such rights.

17.7 **Non-Release of Obligations.** The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Articles 13 and 14, upon termination of this Agreement, all Intellectual Property Rights and Company Trade Secrets, and all Shareholder Trade Secrets shall continue to be kept secret and confidential.

17.8 **Cessation of Rights Upon Termination.** Upon the termination of this Agreement for reason of default or breach of this Agreement or of any Ancillary Agreement, all rights which the Party in default ("Defaulting Party") may have had under or pursuant to this Agreement (except with respect to Article 13, 14 and 15 hereof) shall forthwith cease and terminate. If a dispute as to whether a default or breach exists is submitted to arbitration under Article 19 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in default and/or breach. If the Parties cannot agree on a trustee or agent for such purposes, the arbitration panel shall forthwith appoint same.

17.9 **Liquidation and Wind-up of the Business.** Upon termination of this Agreement:

- (a) The Company shall be liquidated forthwith and, following payment of all known just obligations of the Company, and establishment of a reasonable reserve to pay such just obligations of the Company as are unknown at the time of liquidation of the Company, the remaining assets shall be divided among the Parties in accordance with their Share ownership in the Company pursuant to an independent valuation thereof by the outside auditors of the Company or, in the event Arbitration has been invoked in accordance with Article 19 hereof, by the arbitration panel. Notwithstanding the foregoing, Shareholder Trade Secrets, as defined in Article 14 hereof, shall not constitute an asset of the Company upon termination of this Agreement, but rather shall revert to the Party that owns the same in accordance with Section 17.6. hereof.
- (b) The Business shall be wound up forthwith and no further orders shall be accepted by the Company for Products or Services or for Other Agreed Upon Technologies, provided that orders for Products or Services and Other Agreed Upon Technologies which were received by the Company prior to termination of this Agreement shall be filled by the Company out of its own existing inventory or its own manufacturing or service capabilities.

## ARTICLE 18

### DEFAULT

18.1 **Event of Default.** A Default ("Default") hereunder shall exist in the event of any one or more of the following:

- (a) Non-payment of funds by one Party to another Party when due and owing;
- (b) A material Breach ("Breach") of any provision of this Agreement other than Articles 13, 14 or 15 hereof, or any of the Ancillary Agreements; or

- (c) A Breach of Articles 13, 14 or 15 hereof.

18.2 **Remedies Upon Default or Breach.** The remedies available to the other non-defaulting Party in an instance of Default or Breach by a defaulting Party shall be as follows:

- (a) If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the Parties against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such Default or Breach, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party; provided, however, that with respect to any Default or Breach other than a monetary default, if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of its other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- (b) Notwithstanding the foregoing, in the event of a violation of Articles 13, 14 and/or 15 hereof by a Party hereto, the other Parties may at their sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 13, 14 and/or 15 hereof as provided herein.

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18.3 **Non-Waiver of Rights.** The non-defaulting Parties' failure to terminate this Agreement on account of any Breach or Default by a defaulting Party as provided in Sections 18.1 or 18.2 hereof shall in no event constitute or be deemed to constitute a waiver by such non-defaulting Parties of their right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Section 18.2 hereof), or on account of any subsequent Breach or Default by a Party.

## **ARTICLE 19**

### **DISPUTE RESOLUTION**

19.1 **Dispute Resolution by Arbitration.** Any and all disputes except as excluded under Section 19.2 hereof, which may arise among the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve the same after mutual good faith negotiations, shall be exclusively settled by binding arbitration including, but not limited to, the following:

- (a) A dispute as to whether a Default exists;
- (b) A dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- (c) A dispute as to the validity of this Article 19;
- (d) A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein; and
- (e) A dispute as to the rights, obligations or liabilities of the Parties hereunder.

19.2 **Disputes Not Subject to Arbitration.** Notwithstanding anything to the contrary set forth in this Agreement:

- (a) Arbitration may not be invoked regarding matters expressed in this Agreement to be agreed upon by or to be determined with the consent or approval of all the Parties.
- (b) Arbitration may not be invoked if a Party violates the provisions of this Agreement relating to the Intellectual Property Rights, the Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 13, 14, 15 and 18 hereof shall apply.

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19.3 **Conduct of Arbitration Proceedings.** All arbitration proceedings shall be conducted in the English language and shall be carried on in Cleveland, Ohio U.S.A. or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Agreement, the laws of the State of Ohio, U.S.A., shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction, and assets may be attached in any country in the world pursuant to such judgment.

19.4 **Designation of the "Prevailing Party".** In each case in which arbitration is invoked under this Agreement or any of the Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

19.5 **Punitive Damages Excluded.** The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary, consequential, special or punitive damages.

## **ARTICLE 20**

### **NO PARTNERSHIP**

Nothing contained in this Agreement shall be construed to constitute the Parties as partners or agents for one another or to render any Party liable for any debts, liabilities or obligations of the other ("Indebtedness"). It is understood that any Indebtedness, if incurred, is outside the scope of this Agreement and the Ancillary Agreements. No Party shall have the authority to extend or to utilize the credit of such other Party, to extend credit in the other Party's name, or to represent that it is authorized to do so without the express written consent of the other Party. In the event that a creditor of a Party shall assert a claim against that Party based on such Indebtedness, then the Party who in fact is obligated thereon shall indemnify and hold the other Party harmless from and against any losses, claims or liabilities by reason thereof.

## ARTICLE 21

### RECIPROCAL INDEMNIFICATION

Each Party shall defend, indemnify and hold the other Parties and the Company harmless from and against any and all claims, demands, actions, rights of action, damages, costs and expenses which shall or may arise by virtue of anything done or omitted to be done by the indemnifying Party (or through or by its Agents) in breach of the terms of this Agreement. The indemnifying Party shall be notified promptly of the existence of the claims, demands, actions or rights of action and shall be given reasonable opportunity to defend the same in which defense the Party to be indemnified shall cooperate. If the indemnifying Party fails forthwith upon notice to assume such defense, then the Party to be indemnified may proceed with the defense thereof including settlement, in which case the indemnifying Party shall bear the costs of defense including attorneys' fees and shall pay the amount of any judgment or settlement.

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## ARTICLE 22

### GENERAL PROVISIONS

22.1 **Benefit of Parties.** All of the terms and provisions of this Agreement and of the Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the prior written consent of the other Parties; **provided, however**, that a Party may assign this Agreement and all of such Party's rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released from its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

22.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

22.3 **Cooperation.** During the term of this Agreement, each Party shall cooperate with and assist the other Parties in taking such acts as may be appropriate to enable all Parties to comply with the terms of this Agreement and the terms of the Ancillary Agreements and to carry out the true intent and purposes thereof.

22.4 **Index, Captions, Definitions and Defined Terms.** The captions of the Articles and Sections of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

22.5 **Waiver of Compliance.** The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Party hereto, and any Breach or Default hereunder; **provided, however**, that such waiver must be in writing and shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

22.6 **Force Majeure.** In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then any Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Parties, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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22.7 **Notices.** All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

**If to the Tokarz Trust, to:**

Zbigniew Tokarz, Trustee U/A Dated June 26, 2003  
c/o Charles T. Weible  
Weible & Associates Co.  
3505 E. Royalton Road, Suite 150  
Broadview Heights, OH 44147-2994  
Telefax: 1-440-746-0782

**If to the Zalewski Trust, to:**

Maciej Zalewski, Trustee U/A Dated June 26, 2003  
c/o Charles T. Weible

Weible & Associates Co.  
3505 E. Royalton Road, Suite 150  
Broadview Heights, OH 44147-2994  
Telefax: 1-440-746-0782

If to Atagencer, to:  
Atagencer, LLC  
10988 Tanager Trail  
Brecksville, Ohio 44141

If to NTI, to:  
Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-651-784-2902

Copy to:  
Northern Technologies International  
Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

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22.8 **Entire Agreement.** This Agreement and the Ancillary Agreements contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement and the Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement. It is the intent of the Parties to develop the relationship established hereunder, and to amend and supplement this Agreement so as to provide for expansion both of Net Sales and of the scope of the Business with Other Agreed Upon Technologies. Any amendment or supplement to this Agreement and the Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include corporate resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof. In case of a conflict between the terms of this Agreement and the terms of any of the Ancillary Agreements or the Operating Agreement, the terms of this Agreement shall prevail.

22.9 **Validity of Provisions.** Should any part of this Agreement or the Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portions, which remaining portions shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portions without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement or any Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

22.10 **Governmental Filings.** NTI shall be responsible for the preparation and filing of all necessary reports and/or applications relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. Each of the Parties shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

22.11 **Payments.** Any payment to be made to any Party pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by such Party. The Parties shall each have the right to specify in writing any bank account to which payments due them (respectively) shall be made.

22.12 **Derivative Enforcement by Each Party.** In the event of a Material Breach or Default of this Agreement or any of the Ancillary Agreements by any Party and/or its Agents, each of the other Parties may, derivatively for and on behalf of the Company, enforce the terms hereof or thereof against such defaulting Party and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 19 hereof.

22.13 **Publicity.** Any publicity with respect to this Agreement shall be under the control of the Company as determined by the Board of Managers of the Company.

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22.14 **Ratification by the Company.** The Parties shall cause the Company to expressly ratify, assume, approve, and adopt this Agreement and to enter into the Ancillary Agreements as of the Effective Date so that the same, to the extent applicable to the Company, shall be binding upon it.

22.15 **Brokers.** The Parties acknowledge that all negotiations relative to this Agreement and the Ancillary Agreements and the transactions contemplated hereunder have been carried on by them directly, without intervention of any other person retained by either of them so as to give rise to any valid claim against any of the Parties hereto or the Company for a brokerage commission, finder's fee or any similar payment.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION,**  
a Delaware USA corporation

By /s/ Philip M. Lynch

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Title Chief Executive Officer

/s/ Zbigniew Tokarz

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**ZBIGNIEW TOKARZ, TRUSTEE**  
**U/A DATED JUNE 26, 2003**

/s/ Maciej Zalewski

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**MACIEJ ZALEWSKI, TRUSTEE**  
**U/A DATED JUNE 26, 2003**

**ATAGENCER, LLC,**  
an Ohio limited liability company

By /s/ Dr. Mehmet A. Gencer

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Title President

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**EXHIBIT A**

[Description of Polymer Recycling  
Technology Intellectual Property Rights]

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TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT  
BY AND BETWEEN  
MACIEJ ZALEWSKI, TRUSTEE  
AND  
POLYMER ENERGY, LLC  
DATED AS OF JUNE 26, 2003

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT**

THIS TECHNICAL ASSISTANCE AND MARKETING SUPPORT AGREEMENT (the “Agreement”), is made and entered into as of June 26, 2003 by and between MACIEJ ZALEWSKI, TRUSTEE U/A DATED JUNE 26, 2003, (“The Zalewski Trust”), and POLYMER ENERGY, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A., (“Company”).

**ARTICLE 1**

**DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply. Any capitalized terms not otherwise defined herein shall have the definitions given to such terms in the Joint Venture Agreement.

- 1.1 **Affiliate.** Any Person that controls, is controlled by, or is under common control with, another Person.
- 1.2 **Agents.** The officers, employees, consultants or other representatives of any of the Parties or of the Company.
- 1.3 **Ancillary Agreements.** The following are the Ancillary Agreements and the Parties thereto:

- (a) **License Agreement.** License Agreement dated as of the Effective Date between Zbigniew Tokarz, Trustee of the Tokarz Trust, as licensor, and the Company, as licensee, concerning the Polymer Recycling Technology (“License Agreement”).

(b) **Technical Assistance Agreements.** This Agreement and the Technical Assistance and Marketing Agreement dated as of the Effective Date between the Company and Atagencer (“Technical Assistance Agreements”).

(c) **Management Agreement.** Management and Marketing Agreement dated as of the Effective Date between the Company and NTI (“Management Agreement”).

(d) **Operating Agreement.** Operating Agreement of the Company dated as of the Effective Date.

1.4 **Atagencer.** Atagencer, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A.

1.5 **At Cost.** Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription “At Cost”).

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1.6 **Business.** The commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology throughout the Territory, including the manufacturing, promotion and sale of Products, the providing of Services, and all other methods of commercialization of the Intellectual Property Rights.

1.7 **Change of Control.** Any change in ownership, management, control or scope of business activities of a Party that could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

1.8 **Company.** Polymer Energy, LLC, a limited liability company organized under the laws of the State of Ohio, U.S.A. as a joint venture entity pursuant to the Joint Venture Agreement to conduct the Business in the Territory.

1.9 **Effective Date.** The date of this Agreement.

1.10 **Intellectual Property Rights.** The Polymer Recycling Technology and any Other Agreed Upon Technology, including the Know-How, Materials, Processes, Trademarks, and Trade Secrets, (all as hereinafter defined), collectively, as the same currently exist and shall hereafter be modified, developed and/or acquired by the Company.

1.11 **Joint Venture Agreement.** The Joint Venture Agreement dated as of the Effective Date by and among Atagencer, the Tokarz Trust, the Zalewski Trust and NTI relating to the formation and governance of the Company and the conduct of the Business (the “Joint Venture Agreement”).

1.12 **Know-How.** The technology, formulae, methods and procedures developed by the Company which are unique in nature and essential or useful in the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology, together with all improvements and modifications with respect thereto.

1.13 **Materials.** The constituent materials and chemicals of one or more formulations developed by the Company which are required for commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technology.

1.14 **Net Sales.** The gross proceeds received by the Company from the commercial exploitation of the Polymer Recycling Technology and any Other Agreed Upon Technologies in normal, bona fide commercial transactions on an arm’s length basis to, by, with, or through an entity which is not affiliated with any Party to this Agreement, less (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.15 **New Zalewski Technology.** Any new technology developed by the Zalewski Trust or Zalewski during the term of this Agreement that is determined by the Parties to be desirable by the Company as part of the Business and that subsequently becomes an Other Agreed Upon Technology.

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1.16 **NTI.** Northern Technologies International Corporation, a corporation organized under the laws of the State of Delaware, U.S.A.

1.17 **Operating Agreement.** The Operating Agreement of the Company dated as of the Effective Date.

1.18 **Other Agreed Upon Technologies.** In conformity with the objectives of the Parties to expand the Business over time, products, materials and/or technologies, including any New Zalewski Technology, identified by the Parties over time which are both compatible with the Business and susceptible of being profitably marketed through and/or by the Company in the Territory. Upon agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Company’s activities, and successful negotiation of all requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Business as “Other Agreed Upon Technologies” to be treated as set forth in the Joint Venture Agreement and/or the Ancillary Agreements.

1.19 **Parties.** The Parties to this Agreement and their successors and permitted assigns.

1.20 **Person.** Any corporation, partnership, limited liability company or other entity, however denominated, and any natural person.

1.21 **Polymer Recycling Technology.** A method for continuous conversion of polyolefinic plastics wastes (such as polyethylene or polypropylene) to a liquid mixture of non-saturated and saturated hydrocarbons, constituting high quality paraffin, and a device to realize said method, including, without limitation, certain rights to the patents, patent applications, know-how and related intellectual property described in Exhibit A attached to the Joint Venture Agreement.

1.22 **Processes.** The procedures utilizing the Know-How for the manufacture of Products as developed and specified by the Company, together with any improvements of and modifications to the same as it relates to the manufacturing of Products, together with future technology, knowledge and product development which is useful in the manufacture of Products.

1.23 **Products.** Any products, including machinery and equipment, manufactured by or for the Company utilizing the Polymer Recycling Technology and any Other Agreed Upon Technologies, incorporating the Materials or Processes, or utilizing the Trademarks, all of which have been developed by and are owned and/or licensed by the Company.

1.24 **Prototype.** A prototype of the machinery and equipment required to practice or use the Polymer Recycling Technology.

1.25 **Services.** Services utilizing or based upon the Polymer Recycling Technology or any Other Agreed Upon Technology.

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1.26 **Territory.** All NAFTA countries (including Canada, the United States and Mexico) and all countries of Asia (including all ASEAN countries as well as India, Japan, China and Turkey), as well as any other countries as shall be agreed among the Parties.

1.27 **Tokarz.** Zbigniew Tokarz, a natural Person.

1.28 **Tokarz Trust.** Irrevocable Trust Agreement of Zbigniew Tokarz dated June 26, 2003.

1.29 **Trademarks.** Any trademarks now or hereafter owned or licensed by the Company in connection with the Business, including all trade literature, technical specifications and application instructions and promotional material pertaining thereto, together with all ancillary trademark registrations, which may differ between various jurisdictions.

1.30 **Trade Secrets.** Trade Secrets includes both Company Trade Secrets (as defined in Section 13.1 of the Joint Venture Agreement) and Shareholder Trade Secrets (as defined in Section 14.1 of the Joint Venture Agreement).

1.31 **Zalewski.** Maciej Zalewski, a natural Person.

1.32 **Zalewski Trust.** Irrevocable Trust Agreement of Maciej Zalewski dated June 26, 2003.

## ARTICLE 2

### **TECHNICAL ASSISTANCE TO BE PROVIDED BY THE ZALEWSKI TRUST**

2.1 **Technical Assistance Relative to Products.** The Zalewski Trust (through Zalewski) shall provide the Company with technical advice with respect to the effective use of the Polymer Recycling Technology, applications engineering support in response to customer requirements for the development of the Polymer Recycling Technology, analysis and advice relating to Processes and catalysts that might be used in connection with the Polymer Recycling Technology, analysis and advice relating to environmental effects of Products and Services utilizing the Polymer Recycling Technology, and technical assistance in the manufacturing of Products incorporating the Polymer Recycling Technology in the Territory. In addition, The Zalewski Trust and Zalewski shall assist the Company in responding to technical problems which might arise from the use of the Polymer Recycling Technology (proper and improper), and in the evaluation of potential new applications of the Polymer Recycling Technology for specific customers.

2.2 **Development of New Application Technologies.** The Zalewski Trust and Zalewski shall continue their efforts to expand the range of applications of the Polymer Recycling Technology and shall make any tangible results of such efforts available to the Company.

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## ARTICLE 3

### **MARKETING SUPPORT**

3.1 **Marketing Support Relative to Polymer Recycling Technology.** The Zalewski Trust (through Zalewski) shall provide the Company with assistance in marketing the Polymer Recycling Technology in the Territory and in responding to inquiries with respect to the proper application, including potential new applications, of the Polymer Recycling Technology in the Territory.

3.2 **Improvements in Marketing.** The Zalewski Trust and Zalewski shall continue their efforts to improve the marketing techniques for the Polymer Recycling Technology, and shall make any tangible results of all such efforts available to the Company within the compensation to be paid by the Company to The Zalewski Trust pursuant to Article 6 hereof.

3.3 **Sales Promotion Tools.** The Zalewski Trust (through Zalewski) shall provide support and assistance in the sales promotion and advertising efforts of the Company ("Sales Promotion Tools"). The Zalewski Trust (through Zalewski) shall provide all text, photographs, artwork and mats, if any, that The Zalewski Trust or Zalewski has developed for its own proprietary Sales Promotion Tools, to the Company At Cost, upon the reasonable request of the Company.

3.4 **Participation in Trade Fairs.** At the Company's request, and upon mutual agreement as to timing, cost and scope, The Zalewski Trust and Zalewski shall provide support to the Company in designing and preparing display material for the Company. The Zalewski Trust and Zalewski shall also provide technical staff for the Company's booth at appropriate Trade Fairs in the Territory, to promote the commercialization of the Polymer Recycling Technology in the Territory.

3.5 **Joint Sales Calls.** Upon mutual agreement, proper advance planning and identification of suitable prospects, The Zalewski Trust and Zalewski shall make sales calls in the Territory jointly with NTI and/or the Company sales staff to promote the sale of Products or Services utilizing the Polymer Recycling Technology in the Territory.

3.6 **Assistance re: Potential Customers and Financing Sources.** The Zalewski Trust (through Zalewski) shall use its best efforts to introduce the Company and NTI to Persons (particularly industrial entities) and governmental entities that are (a) potential customers for Products or Services of the Company and/or (b) potential sources of grants, loans and other sources of financing for the further development of the Polymer Recycling Technology and any Other

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#### ARTICLE 4

#### INTERNATIONAL COORDINATION AND SUPPORT

It is recognized by the Parties that a major element in the Technical Assistance and Marketing Support provided by The Zalewski Trust relates to the integration of the Business within the worldwide "Federation" of NTI and NTI ASEAN Affiliates. Therefore, the Technical Assistance and Marketing Support provided to the Company shall include:

4.1 **Identification of International Customers.** The Zalewski Trust and Zalewski shall, together with NTI, identify potential international companies working in the Territory and attempt to determine which of these have become significant users of services or products utilizing the Polymer Recycling Technology in the United States and in the respective territories of other NTI and Affiliates. Following such research into pre-existing customers, The Zalewski Trust and Zalewski shall provide lists of significant users of services or products utilizing the Polymer Recycling Technology it identifies, together with appropriate references, photographs and other available information as to appropriate applications of the Polymer Recycling Technology for each international customer identified to the Company for use in the Territory.

4.2 **Participation in Worldwide Conferences.** The Zalewski Trust and Zalewski shall participate in appropriate worldwide and regional strategic conferences, marketing seminars and technical exchanges organized by NTI and/or its Affiliates for their joint venture partners.

#### ARTICLE 5

#### OTHER AGREED UPON TECHNOLOGIES

5.1 **Uncertainty as to Market Structure.** The Parties recognize that the structure of the market for each Other Agreed Upon Technology in the Territory may require a different marketing approach from that required by the structure of the market for the Polymer Recycling Technology. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies in the Territory, for planning purposes.

5.2 **Determination of Services to be Performed.** Accordingly, under this Technical Assistance Agreement, The Zalewski Trust and Zalewski shall use their best efforts to perform essentially the same range of services with respect to Other Agreed Upon Technologies that The Zalewski Trust and Zalewski do in the ordinary course of business with respect to the Polymer Recycling Technology, adjusted as commensurate to the commercial and financial potential of each individual market for Other Agreed Upon Technologies in the Territory.

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#### ARTICLE 6

#### PAYMENTS FOR TECHNICAL ASSISTANCE AND MARKETING SUPPORT SERVICES

6.1 **Basis for Payments.** The Company shall make payments to The Zalewski Trust as provided in this Article 6 in consideration of all services performed by The Zalewski Trust and Zalewski as set forth in Articles 2, 3, 4 and 5 hereof. The payments set forth herein shall be made throughout the entire term of this Agreement as compensation in full for the services specified and duly provided by The Zalewski Trust and Zalewski to the Company.

6.2 **Payments for Services Relative to Polymer Recycling Technology.** The Company shall pay to The Zalewski Trust an amount equal to three and three-quarters percent (3.75%) of Net Sales for The Zalewski Trust's and Zalewski's services to the Company under this Agreement. Such payments, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by The Zalewski Trust from time to time.

6.3 **Payments for Services Relative to Other Agreed Upon Technologies.** Payments to be made to The Zalewski Trust with respect to services to the Company relating to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. The Zalewski Trust shall perform substantially the same services under this Agreement with respect to Other Agreed Upon Technologies that it does with respect to the Polymer Recycling Technology. Accordingly, payments to The Zalewski Trust for its services with respect to Other Agreed Upon Technologies under this Agreement shall, unless otherwise agreed between the Parties, be equal (as a percentage of Net Sales of each Other Agreed Upon Technology) to the payments paid by the Company to The Zalewski Trust for its services hereunder with respect to the Polymer Recycling Technology.

6.4 **When a Sale is Deemed to Occur.** A sale shall be deemed to have occurred when goods or services based upon the Polymer Recycling Technology or the Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

6.5 **Support Year.** The term "Support Year" shall mean any twelve (12) month period ending on 31 August, except that the first Support Year shall commence on the Effective Date, and end at the next 31 August date.

6.6 **Statements to The Zalewski Trust.** Within sixty (60) days after the last day of each quarterly period in each Support Year, the Company shall:

- (a) Prepare and deliver to The Zalewski Trust a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:
  - (i) The total amount of Net Sales (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer);

- (ii) The total amount of compensation, based upon such Net Sales related to Polymer Recycling Technology (computed as hereinbefore provided) payable to The Zalewski Trust for its services hereunder;
  - (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (iv) The total amount of compensation, based upon such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to The Zalewski Trust for its services to the Company hereunder.
- (b) Pay to The Zalewski Trust the full amount to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Section 6.6.(a) hereof.

6.7 **Books and Records.** The Company covenants and agrees:

- (a) That it will keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable The Zalewski Trust's independent accountants to verify the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 6.6(a);
- (b) That it will keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

- (c) That it will make such commercial and financial records, books of account, data and information available to The Zalewski Trust's representatives and to The Zalewski Trust's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Section 6.6(a) hereof. In addition, The Zalewski Trust shall have the right to make copies of any of the foregoing. The independent accountants of the Company shall in the ordinary course of business provide written confirmation and certification to The Zalewski Trust, at least annually, of the data supplied to The Zalewski Trust pursuant to Section 6.6(a) hereof. The cost of such reports shall be borne by the Company. In the event that The Zalewski Trust shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by The Zalewski Trust unless such representatives shall determine, to the satisfaction of the Company's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of The Zalewski Trust's representatives and/or accountants shall be borne by the Company.

ARTICLE 7

[RESERVED]

ARTICLE 8

[RESERVED]

ARTICLE 9

TERM OF AGREEMENT

9.1 **Indefinite Term.** This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

9.2 **Termination.** This Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- (a) Terminated in accordance with Section 9.3 and/or Section 9.4 hereof;
- (b) Terminated by either Party by reason of a material Breach or Default of this Technical Assistance Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof; or

- (c) Terminated automatically, in conjunction with the termination of the Joint Venture Agreement or any of the Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

9.3 **Termination Upon Change of Control of a Party.** In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

9.4 **Termination Upon Bankruptcy or Insolvency.** If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

- (a) Payments due under this Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- (b) Payments due under this Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party or Parties; and
- (c) All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

9.5 **Payment of Amounts Due.** In the event of termination of this Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

9.6 **Cooperation Upon Termination.** Upon termination of this Agreement, the Company shall cooperate with The Zalewski Trust transferring any The Zalewski Trust Intellectual Property Rights, and The Zalewski Trust Trade Secrets, to The Zalewski Trust or its designated assignee.

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9.7 **Non-Release of Obligations.** The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. Upon termination of this Agreement, The Zalewski Trust Intellectual Property Rights together with The Zalewski Trust Trade Secrets shall continue to be kept secret and confidential by the Company.

9.8 **Cessation of Rights Upon Termination.** Upon the termination of this Agreement, for reason of Default or Breach of this Agreement or of the Joint Venture Agreement or of any Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

## **ARTICLE 10**

### **DEFAULT**

10.1 **Event of Default.** A Default ("Default") hereunder shall exist in the event of:

- (a) Non-payment of funds by one Party to another Party when due and owing; or
- (b) A material Breach ("Breach") of any other provision of this Agreement, or
- (c) A Default under the Joint Venture Agreement.

10.2 **Remedies Upon Default or Breach.** The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- (a) If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- (b) Notwithstanding the forgoing, in the event of a violation of Article 8 hereof by a Party hereto, the other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article hereof as provided herein.

10.3 **Non-Waiver of Rights.** A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Section 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Section 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

## **ARTICLE 11**

## DISPUTE RESOLUTION

11.1 **Dispute Resolution by Arbitration.** Any and all disputes, except as excluded under Section 11.2 hereof, which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- (a) A dispute as to whether a Default exists;
- (b) A dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- (c) A dispute as to the validity of this Article 11;
- (d) A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
- (e) A dispute as to the rights, obligations or liabilities of the Parties hereunder.

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11.2 **Disputes Not Subject to Arbitration.** Notwithstanding anything to the contrary set forth in this Agreement:

- (a) Arbitration may not be invoked regarding matters expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- (b) Arbitration may not be invoked if a Party violates the provisions of this Agreement relating to Company Intellectual Property Rights, and/or Company Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 8 or 10 hereof shall apply.

11.3 **Conduct of Arbitration Proceedings.** Such arbitration proceedings shall be conducted in the English language and shall be carried on in the City of Cleveland, Ohio, U.S.A., or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Technical Assistance Agreement, the laws of the State of Ohio, U.S.A. shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

11.4 **Designation of the "Prevailing Party".** In each case in which arbitration is invoked under this Agreement, the Joint Venture Agreement or any of the Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

11.5 **Punitive Damages Excluded.** The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

## ARTICLE 12

### GENERAL PROVISIONS

12.1 **Benefit of Parties.** All of the terms and provisions of this Agreement, the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations hereunder to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of a such Party's rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

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12.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3 **Cooperation.** During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Agreement as well as those of the Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

12.4 **Index, Captions, Definitions and Defined Terms.** The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Technical Assistance Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

12.5 **Waiver of Compliance.** The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, conditions, Breach or Default hereunder.

12.6 **Force Majeure.** In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Technical Assistance Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure

event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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12.7 **Notices.** All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL, UPS or equivalent, as follows:

If to Company, to:

Polymer Energy, LLC  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

If to The Zalewski Trust, to:

Maciej Zalewski, Trustee U/A Dated June 26, 2003  
c/o Charles T. Weible  
Weible & Associates Co.  
3505 E. Royalton Road, Suite 150  
Broadview Heights, OH 44147-2994  
Telefax: 1-440-746-0782

or to such other address as may be specified in writing by any of the above.

12.8 **Entire Agreement.** This Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Agreement so as to provide for expansion both of Net Sales and of the scope of the Business with Other Agreed Upon Technologies. Any amendment or supplement to this Agreement, the Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof. In case of a conflict between the terms of this Agreement and the terms of the Joint Venture Agreement, the terms of the Joint Venture Agreement shall prevail.

12.9 **Validity of Provisions.** Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

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12.10 **Governmental Filings.** The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. The Zalewski Trust shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

12.11 **Payments.** Any payment to be made by the Company to The Zalewski Trust pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by The Zalewski Trust. The Zalewski Trust shall have the right to specify in writing any bank account to which payments due shall be made.

**[Balance of page intentionally blank]**

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**POLYMER ENERGY, LLC**

**MACIEJ ZALEWSKI, TRUSTEE  
U/A DATED JUNE 26, 2003**

By: /s/

By: /s/ Maciej Zalewski

Title:

("The Zalewski Trust")

("Company")

**APPROVAL OF ZALEWSKI**

By his signature hereto Maciej Zalewski individually approves and agrees to the terms and provisions of this Agreement and agrees to be bound thereto to the extent that such terms and provisions are applicable to him, it being understood that Maciej Zalewski shall also have a direct right of action in his own name for the enforcement of the provisions of this Agreement.

/s/ Maciej Zalewski

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**MACIEJ ZALEWSKI, Individually**



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**SALES REPRESENTATION AGREEMENT**

This Management Representation Agreement (“Sales Representation Agreement”) is made and entered into as of June 24, 2001, by and between **FIBRO-NTI, JOINT STOCK COMPANY**, a joint stock company organized under the laws of Turkey (“Fibro-NTI” or the “Corporation”) and **ATAGENÇER, LLC** (“Atagençer”). The address of Fibro-NTI is Elemanari Sanaye Insaat, ve Tic. Ltd. Sti, Karanfil Cad. 27, 80620 1. Levent, Istanbul, Turkey, and the address of Atagençer is 10988 Tanager Trail, Brecksville, Ohio 44141.

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**ARTICLE 1**  
**DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply:

1.1. [Shareholders Joint Venture Agreement or Agreement.](#)

That certain Shareholders Joint Venture Agreement by and between NTI (as hereinafter defined), and the other Parties (as hereinafter defined) dated as of June 24, 2001, for the formation and governance of a new entity under the laws of the Republic of Turkey in the form of a limited liability company which shall be known as Fibro-NTI, Joint Stock Company (“Fibro-NTI” or the “Corporation”).

1.2. [Ancillary Agreements.](#)

The following are the Ancillary Agreements and the Parties thereto:

- 1.2.1. Management Agreement between Fibrobeton and the Corporation (“Management Agreement”); and
- 1.2.2. Sales Representation Agreement between Atagençer, LLC (“Atagençer”) and the Corporation (“Sales Representation Agreement”); and
- 1.2.3. License Agreement between NTI and the Corporation (“License Agreement”); and
- 1.2.4. Technical Assistance and Marketing Support Agreement between NTI and the Corporation (“Technical Assistance Agreement”).

1.3. Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

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1.4. NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A., the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in the Corporation pursuant to the Shareholders Joint Venture Agreement. In addition, NTI is the owner of a 50% interest in NTI ASEAN (as hereinafter defined).

1.5. Taiyonic.

Taiyonic Ltd., a company organized under the laws of Japan and an NTI Affiliate, which may help in marketing Product to Japanese companies for and on behalf of Fibro-NTI, either in the Territory or internationally as per terms to be agreed to with the support of NTI, as the Parties desire. Taiyonic is 50% owned by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.6. NTI ASEAN.

NTI ASEAN, LLC, a limited liability company, organized under the laws of the State of Nevada, U.S.A., whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the ASEAN Region (as set forth in Article 1.7.2 hereof), outside of Japan and the Republic of South Korea. NTI ASEAN is owned 50% by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.7. NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Know-How, Materials, Process, Product and/or Masterbatch anywhere in the world.

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1.7.1 NTI Affiliates.

Current NTI Affiliates are set forth in Appendix I hereof.

1.7.2 NTI ASEAN Affiliates.

Current NTI ASEAN Affiliates are set forth in Appendix II hereof.

1.8. Corporation or Joint Venture.

Fibro-NTI, that entity created in Turkey by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation’s Business in the Territory, also referred to herein as “Fibro-NTI”.

1.9. Corporation’s Business.

The Corporation’s Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.10. Territory.

The Territory of Turkey and any other Territories as shall be agreed between the Parties.

1.11. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the Republic Turkey for the Shareholders Joint Venture Agreement were obtained and the Corporation was duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.12. NTI Intellectual Property Rights.

The Know-How, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

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1.13. Know-How.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, both directly and through NTI Affiliates; which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.14. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality control which are required for utilization of the Process.

1.15. Process.

The procedure utilizing the Know-How for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.16. Product.

Volatile Corrosion Inhibiting ("VCI") materials incorporated in polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may also include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.17. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.18. Trademark.

The name and style "ZERUST", the "Zerust People", "EXCOR", the NTI Logo and the Color Yellow as applied to VCI packaging materials, including trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions. NTI is the registered owner of the Trademark in the Jurisdictions cited hereof in Appendix III.

1.19. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Know-How, Materials, Process, Product, and/or Masterbatch, together with information regarding technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.20. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the commercial activities of Fibro-NTI over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's activities, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's activities as "Other Agreed Upon Technologies" to be treated as set forth in the Shareholders Joint Venture Agreement and the Ancillary Agreements.

1.21. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.22. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscripton "At Cost").

1.23. Shareholder.

Any holder, from time to time, of Shares of the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.24. Shares.

Any validly issued shares of the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.25. Transfer of Shares.

Any sale, transfer, assignment, pledge or disposition of Shares of the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.26. Transferor of Shares.

A Shareholder who declares an intention to Transfer Shares of the Corporation and/or initiates the Transfer of Shares.

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1.27. Transfer Price for Shares.

The price per share for the Shares of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

1.28. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Shares pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.29. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

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**ARTICLE 2**  
**ENGAGEMENT OF ATAGENÇER AS**  
**EXCLUSIVE SALES REPRESENTATIVE**

2.1. Engagement of Atagençer As Exclusive Sales Representative.

Fibro-NTI hereby engages Atagençer as its Exclusive Sales Representative for the marketing and sale of Product and Other Agreed Upon Technologies in the Territory, and Atagençer hereby accepts such engagement and agrees to use its best efforts in accordance with the terms hereof to promote the marketing and sale of Product and Other Agreed Upon Technologies in the Territory.

2.2. Commitment of Atagençer to Use its Best Efforts in the Performance of its Duties Hereunder.

Atagençer shall use its best efforts in the performance of its duties hereunder and shall discharge same in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

2.3. Promotion of Product and Trademark.

In connection with the discharge of its duties hereunder Atagençer shall use its best efforts to solicit and to obtain business and, in so doing, to develop an increasing awareness of the Product, Trademark and Other Agreed Upon Technologies among potential customers. Such sales efforts will be carried on by properly trained sales personnel who shall thoroughly, energetically and regularly canvass and call upon customers and potential customers. Atagençer shall advise Fibro-NTI and NTI on a periodic basis (not less frequently than quarterly) as to the status of its sales efforts, the nature of orders obtained and the amount of backlog.

2.4. Preparation and Use of Promotional Material.

Atagençer shall prepare promotional material for the conduct of the Corporation's Business in the Territory in the English language, which shall be suitable under good business practice in Turkey. Atagençer shall not, however, distribute any promotional material, literature, specifications, manuals, product claims or descriptions concerning the Materials, Masterbatch, Process, Know-How, Product or NTI Intellectual Property Rights without the prior written approval thereof by NTI.

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2.5. Warranties.

Atagençer shall make no warranty on behalf of NTI or the Corporation, and shall instruct its Agents (as defined in Article 13.3.1 of the Shareholders Joint Venture Agreement) and the Agents (as hereinafter defined) and Submanufacturers (as defined in Article 7.3.1(i) of the License Agreement and Article 7.3.1 of the Technical Assistance Agreement) of Fibro-NTI to make no warranty on behalf of NTI or the Corporation as to the Know-How, Process, Product or NTI

2.6. Appointment of Distributors.

Atagençer may appoint distributors for Product and Other Agreed Upon Technologies in the Territory on an arms-length basis. Atagençer may also serve as a distributor of Product and Other Agreed Upon Technologies, either directly or indirectly in the Territory, provided that the total compensation to Atagençer for all services it renders to the Corporation as Sales Manager does not aggregate more than seven and a half percent (7.5%) of Net Sales.

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**ARTICLE 3**  
**PAYMENTS TO ATAGENÇER FOR ITS SERVICES AS**  
**EXCLUSIVE SALES**  
**REPRESENTATIVE OF THE CORPORATION**

3.1. Basis for Payments.

Fibro-NTI shall make payments to Atagençer which are provided for in Article 3 of this Sales Representation Agreement in consideration of the services performed by Atagençer as set forth in Articles 2 hereof. Such payments shall be made throughout the full term of this Sales Representation Agreement as compensation for the services set forth above and duly provided by Atagençer.

3.2. Compensation to Atagençer for Services as Exclusive Sales Representative of Fibro-NTI with Respect to Product.

Atagençer shall receive compensation for its services to Fibro-NTI as Exclusive Sales Representative for Product hereunder equal to seven and one-half percent (7.5%) of the total Net Sales of Product by the Corporation, plus reasonable, direct out-of-pocket expenses (At Cost) incurred in the performance of its duties in this regard. There shall, however, be no separate or additional compensation in conjunction with services, such as carrying out promotional activities or conducting sales seminars, which services are to be performed by Atagençer within the scope of its responsibilities as Exclusive Sales Representative of Fibro-NTI. In the course of effectuating sales, Atagençer may either purchase Product directly from the Corporation and thereupon resell same to customers for its own account, or alternatively serve as a commission agent for the Corporation, but not both; provided that the total margin to Atagençer in consideration of all sales activities conducted by Atagençer with respect to Product does not exceed ten percent (10%). Payment terms for Product purchased by Atagençer from the Corporation for resale to customers shall be equal to the same terms offered by Atagençer on behalf of the Corporation to third parties fulfilling the same functions; and payment for Product purchased shall be made by Atagençer to the Corporation forthwith upon receipt of payment from customers.

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3.3. Compensation to Atagençer for Services Hereunder with Respect to Other Agreed Upon Technologies.

Compensation to Atagençer for services rendered within the scope of this Sales Representation Agreement with respect to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Unless otherwise agreed between the Parties, however, Atagençer shall perform substantially the same functions, and have substantially the same rights, duties and obligations with respect to Other Agreed Upon Technologies as it does with respect to Product. Accordingly, Atagençer's total Compensation with respect to the services rendered with respect to Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the total Compensation paid to Atagençer for the services it renders to the Corporation with respect to Product.

3.4. When a Sale is Deemed to Occur.

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed or (if not billed) delivered to and fully paid for by a customer.

3.5. Support Year.

The term Support Year ("Support Year") shall mean any twelve (12) month period ending on December 31, except that the first Support Year shall commence on the Effective Date and end on the next December 31 date.

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**ARTICLE 4**  
**COVENANT TO OBSERVE THE**  
**DOCTRINE OF "CORPORATE OPPORTUNITY"**

4.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Sales Representation Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development and implementation of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies, and/or the application of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

4.2. Agreement Not to Divert Resources.

Atagençer and Fibro-NTI agree that during the term of this Sales Representation Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term Atagençer shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Sales Representation Agreement is terminated: (i) because of a material Breach of the Shareholders Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 5 hereof; (iv) pursuant to Article 6 hereof; or (v) upon a Breach of Article 4 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 4 of this Sales Representation Agreement for a period of three years following the date of termination, but Atagençer shall at no time be permitted to use any confidential information learned through or about Fibro-NTI Trade Secrets, for any activity outside the Corporation, including but not limited to such activities which would have the effect of diverting resources from the Corporation.

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4.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 6 hereof by a Party, the remedy at law will be inadequate and that the other Party to this Sales Representation Agreement shall suffer irreparable injury. Accordingly, each Party to this Sales Representation Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include, but not be limited to, the right of immediate termination of this Sales Representation Agreement.

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**ARTICLE 5**  
**TERM OF AGREEMENT**

5.1. Indefinite Term.

This Sales Representation Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

5.2. Termination.

This Sales Representation Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 5.2.1. Terminated by either Party in accordance with the provisions of Article 4 hereof;
- 5.2.2. Terminated in accordance with Article 5.3 and/or Article 5.4 hereof;
- 5.2.3. Terminated by either Party by reason of a material Breach or Default of this Sales Representation Agreement by the other Party which has not been cured or remedied in accordance with Article 6.2 hereof; or
- 5.2.4. Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event, this Sales Representation Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

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5.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party may, upon six (6) months prior written notice given to such Party, terminate this Sales Representation Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

5.4. Termination Upon Bankruptcy or Insolvency.

If Fibro-NTI hereto shall become bankrupt or insolvent or shall file for any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings for bankruptcy, insolvency, reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Sales Representation Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Sales Representation Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Sales Representation Agreement if:

- 5.4.1. Payments due under this Sales Representation Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- 5.4.2. Payments due under this Sales Representation Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and
- 5.4.3. All other provisions of this Sales Representation Agreement are complied with fully by the Party subject to such proceedings.

5.5. Payment of Amounts Due.

In the event of termination of this Sales Representation Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Sales Representation Agreement prior to the effective date of termination.

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5.6. Cooperation Upon Termination.

Upon termination of this Sales Representation Agreement, the Corporation shall cooperate with Atagençer in transferring Atagençer Trade Secrets, if any, to Atagençer or its designated assignee; and Atagençer and Corporation shall cooperate with NTI and/or NTI ASEAN in transferring NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets to NTI, NTI ASEAN or their designated assignee

5.7. Non-Release of Obligations.

The termination of this Sales Representation Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination.

5.8. Cessation of Rights Upon Termination.

Upon the termination of this Sales Representation Agreement, for reason of Default or Breach of this Sales Representation Agreement or of the Shareholders Joint Venture Agreement or an Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Sales Representation Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 7 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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**ARTICLE 6**  
**DEFAULT**

6.1. Event of Default.

A Default ("Default") hereunder shall exist in the event of:

- 6.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or
- 6.1.2. A material Breach ("Breach") of any provision of this Sales Representation Agreement other than Article 4 hereof, of the Shareholders Joint Venture Agreement, or any of the other Ancillary Agreements; and/or
- 6.1.3. A Breach of Article 4 hereof.

6.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 6.2.1. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Sales Representation Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Sales Representation Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- 6.2.2. Notwithstanding the foregoing, in the event of a violation of Articles 5 and/or 6 hereof by a Party hereto, the other Party may at its sole discretion terminate this Sales Representation Agreement with immediate effect upon giving notice to the Party in Default or Breach of Articles 5 and/or 6 hereof as provided herein.

6.3. Non-Waiver of Rights.

A Party's failure to terminate this Sales Representation Agreement on account of any Breach or Default by the other Party as provided in Article 6.1 or 6.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Sales Representation Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 6.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 7**  
**DISPUTE RESOLUTION**

7.1. Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 7.2 hereof, which may arise between the Parties during the term of this Sales Representation Agreement, after the termination thereof, or following the liquidation or dissolution of the Corporation, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to, the following:

- 7.1.1. A dispute as to whether a Default exists;
- 7.1.2. A dispute as to whether a Default entitles the non-defaulting Party to terminate this Sales Representation Agreement;
- 7.1.3. A dispute as to the validity of this Article 7;
- 7.1.4. A dispute relating to the construction, meaning, interpretation, application or effect of this Sales Representation Agreement or anything contained herein;
- 7.1.5. A dispute as to the rights, obligations or liabilities of the Parties hereunder.

7.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Sales Representation Agreement:

- 7.2.1. Arbitration may not be invoked regarding matters expressed in this Sales Representation Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 7.2.2. Arbitration may not be invoked if a Party violates the provisions of this Sales Representation Agreement relating to Atagencer Trade Secrets or Corporate Opportunity. In such event, the remedies set forth in Article 4 hereof shall apply.

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7.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In the interpretation of this Sales Representation Agreement, the laws of Turkey shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

7.4. Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this Sales Representation Agreement, the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

7.5. Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**ARTICLE 8**  
**GENERAL PROVISIONS**

8.1. Benefit of Parties.

All of the terms and provisions of this Sales Representation Agreement, the Shareholders Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Sales Representation Agreement and all of such Party's rights hereunder (or a portion of this Sales Representation Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

8.2. Counterparts.

This Sales Representation Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.3. Cooperation.

During the term of this Sales Representation Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Sales Representation Agreement as well as those of the Shareholders Joint Venture Agreement and the other Ancillary Agreements and to carry out the true intent and purposes thereof.

#### 8.4. Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this Sales Representation Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Sales Representation Agreement, as identified by their insertion in parentheses and quotation marks (“Defined Terms”), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Sales Representation Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Sales Representation Agreement before or after they are defined.

#### 8.5. Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Sales Representation Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Party hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party’s rights in respect to any other covenants, condition, Breach or Default hereunder.

#### 8.6. Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Sales Representation Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Sales Representation Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

#### 8.7. Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Sales Representation Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

If to Atagençer, LLC, to:

Atagençer, LLC  
Attention Dr. Mehmet Gençer  
10988 Tanager Trail  
Brecksville, OH 44141  
Tel: 440-838-4543  
Fax: 440-838-4584

If to Fibro-NTI, to:

Fibro-NTI  
Elemanari Sanaye Insaat  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul, Turkey

Copy to:

Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-651-784-2902

Copy to:

Northern Technologies International Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

Copy to:

Fibrobeton Precast Concrete Ltd.  
Elemanari Sanaye Insaat  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul, Turkey

or to such other address as may be specified in writing by any of the above.

#### 8.8. Entire Agreement.

This Sales Representation Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Sales Representation Agreement, the Shareholders Joint Venture Agreement and the other Ancillary

Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Sales Representation Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Sales Representation Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Sales Representation Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

8.9. Validity of Provisions.

Should any part of this Sales Representation Agreement, the Shareholders Joint Venture Agreement or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Sales Representation Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

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8.10. Payments.

Any payment to be made to Atagençer pursuant to any provision of this Sales Representation Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by Atagençer. Atagençer shall have the right to specify in writing any bank account to which payments due it shall be made.

8.11. Derivative Enforcement by NTI

In the event of a Material Breach or Default of this Sales Representation Agreement by Atagençer and/or its Agents, NTI may, derivatively for and on behalf of the Corporation, enforce the terms hereof against Atagençer and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 7 hereof.

8.12. Changes Subject to Approval of NTI.

The Parties to this Sales Representation Agreement shall not change, modify or amend this Sales Representation Agreement in any respect without the prior written consent of NTI and Fibrobeton.

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IN WITNESS WHEREOF, the Parties have executed this Sales Representation Agreement as of the day and year first above written.

**ATAGENÇER, LLC**

By /s/ Dr. Mehmet A. Gencer

**FIBRO-NTI, JOINT STOCK COMPANY**

By /s/

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**APPROVAL OF NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By its signature hereto Northern Technologies International Corporation approves and agrees to the terms and provisions of this Sales Representation Agreement and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that Northern Technologies International Corporation shall also have a direct right of action in its own name for the enforcement of the provisions of this Sales Representation Agreement.

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By /s/ Philip M. Lynch

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**APPROVAL OF FIBROBETON PRECAST CONCRETE LTD.**

By its signature hereto FIBROBETON PRECAST CONCRETE LTD. approves and agrees to the terms and provisions of this Sales Representation Agreement and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that FIBROBETON

PRECAST CONCRETE LTD. shall also have a direct right of action in its own name for the enforcement of the provisions of this Sales Representation Agreement.

**FIBROBETON PRECAST CONCRETE LTD.**

By       /s/        
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**APPENDIX IV**

**NTI WARRANTY DOCUMENTATION**

“Because we cannot anticipate or control the many different conditions under which our information and our products may be used, no warranty, expressed or implied, is made except that the product conforms to Northern Technologies International Corporation specifications. The technical data furnished is believed to be accurate and complete. Buyer assumes all risk of use, storage and handling of this product. Northern Technologies International Corporation shall not be responsible for special or consequential damages. Nothing contained herein shall be construed as permission to use, or recommendation for, the use of the product in the infringement of any existing patent.”

MANAGEMENT AGREEMENT

BY AND BETWEEN

FIBRO-NTI, JOINT STOCK COMPANY

AND

FIBROBETON PRECAST CONCRETE LTD.

DATED AS OF JUNE 24, 2001

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## MANAGEMENT AGREEMENT

This Management Representation Agreement (“Management Agreement”) is made and entered into as of June 24, 2001, by and between and **FIBRO-NTI, JOINT STOCK COMPANY**, a joint stock company organized under the laws of Turkey (“Fibro-NTI” or the “Corporation”) and **FIBROBETON PRECAST CONCRETE LTD.** (“Fibrobeton”). The address of Fibro-NTI, Joint Stock Company is Elemanari Sanaye Insaat, ve Tic. Ltd. Sti, Karanfil Cad. 27, 80620 1. Levent, Istanbul, Turkey, and the address of Fibrobeton Precast Concrete Ltd. is Elemanari Sanaye Insaat, ve Tic. Ltd. Sti, Karanfil Cad. 27, 80620 1. Levent, Istanbul, Turkey.

**ARTICLE 1**  
**DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply:

1.1. Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between NTI (as hereinafter defined), and the other Parties (as hereinafter defined) dated as of June 24, 2001, for the formation and governance of a new entity under the laws of Turkey in the form of a limited liability company which shall be known as Fibro-NTI ("Fibro-NTI" or the "Corporation").

1.2. Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

- 1.2.1. Management Agreement between Fibrobeton and the Corporation ("Management Agreement"); and
- 1.2.2. Sales Representation Agreement between Atagençer, LLC ("Atagençer") and the Corporation ("Sales Representation Agreement"); and
- 1.2.3. License Agreement between NTI and the Corporation ("License Agreement"); and
- 1.2.4. Technical Assistance and Marketing Support Agreement between NTI and the Corporation ("Technical Assistance Agreement").

1.3. Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

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1.4. NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A., the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in the Corporation pursuant to the Shareholders Joint Venture Agreement. In addition, NTI is the owner of a 50% interest in NTI ASEAN (as hereinafter defined).

1.5. Taiyonic.

Taiyonic Ltd., a company organized under the laws of Japan and an NTI Affiliate, which may help in marketing Product to Japanese companies for and on behalf of Fibro-NTI, either in the Territory or internationally as per terms to be agreed to with the support of NTI, as the Parties desire. Taiyonic is 50% owned by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.6. NTI ASEAN.

NTI ASEAN, LLC, a limited liability company, organized under the laws of the State of Nevada, U.S.A., whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the ASEAN Region (as set forth in Article 1.7.2 hereof), outside of Japan and the Republic of South Korea. NTI ASEAN is owned 50% by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.7. NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Know-How, Materials, Process, Product and/or Masterbatch anywhere in the world.

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1.7.1 NTI Affiliates.

Current NTI Affiliates are set forth in Appendix I hereof.

1.7.2 NTI ASEAN Affiliates.

Current NTI ASEAN Affiliates are set forth in Appendix II hereof.

1.8. Corporation or Joint Venture.

Fibro-NTI, that entity created in Turkey by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation's Business in the Territory, also referred to herein as "Fibro-NTI".

1.9. Corporation's Business.

The Corporation's Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.10. Territory.

The Territory of Turkey and any other Territories as shall be agreed between the Parties.

1.11. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the Republic of Turkey for the Shareholders Joint Venture Agreement were obtained and the Corporation was duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.12. NTI Intellectual Property Rights.

The Know-How, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

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1.13. Know-How.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, both directly and through NTI Affiliates; which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.14. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality control which are required for utilization of the Process.

1.15. Process.

The procedure utilizing the Know-How for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.16. Product.

Volatile Corrosion Inhibiting ("VCI") materials incorporated in polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may also include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.17. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

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1.18. Trademark.

The name and style "ZERUST", the "Zerust People", "EXCOR", the NTI Logo and the Color Yellow as applied to VCI packaging materials, including trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions. NTI is the registered owner of the Trademark in the Jurisdictions cited hereof in Appendix III.

1.19. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Know-How, Materials, Process, Product, and/or Masterbatch, together with information regarding technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.20. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the commercial activities of Fibro-NTI over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's activities, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's activities as "Other Agreed Upon Technologies" to be treated as set forth in the Shareholders Joint Venture Agreement and the Ancillary Agreements.

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1.21. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.22. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscriptio "At Cost").

1.23. Shareholder.

Any holder, from time to time, of Shares of the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.24. Shares.

Any validly issued shares of the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

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1.25. Transfer of Shares.

Any sale, transfer, assignment, pledge or disposition of Shares of the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.26. Transferor of Shares.

A Shareholder who declares an intention to Transfer Shares of the Corporation and/or initiates the Transfer of Shares.

1.27. Transfer Price for Shares.

The price per share for the Shares of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

1.28. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Shares pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.29. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

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**ARTICLE 2**  
**ENGAGEMENT OF FIBROBETON AS MANAGER**

2.1. Engagement of Fibrobeton as Manager.

Fibro-NTI hereby engages Fibrobeton to implement the Purposes of the Joint Venture (as defined in Article 3 of the Shareholders Joint Venture Agreement) and to manage, supervise and conduct the Corporation's Business. Fibrobeton hereby accepts such engagement and agrees to serve in such capacity in accordance with the terms hereof and with the terms of the Shareholders Joint Venture Agreement and the other Ancillary Agreements.

2.2. Duties and Authority of Manager.

Fibrobeton shall have all authority which may be necessary, desirable or appropriate in connection with the discharge of Fibrobeton's duties hereunder, subject only to applicable limitations contained in the Shareholders Joint Venture Agreement and the Ancillary Agreements, and the provisions of Article 2 hereof. Fibrobeton shall use its best efforts in the performance of its duties and shall discharge same and conduct the Corporation's Business in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work in the Territory.

2.3. Responsibility of Manager for Specific Activities.

In the course of fulfilling its responsibilities pursuant to this Management Agreement, Fibrobeton shall carry out the following activities on behalf of Fibro-NTI.

2.3.1. Cause Fibro-NTI to comply with the terms of the Shareholders Joint Venture Agreement and the Ancillary Agreements;

2.3.2. Acquire such materials, supplies, equipment, services and technical assistance as may be necessary, desirable or appropriate for the conduct of the Corporation's Business;

2.3.3. Procure from outside experts, consultants and professionals such engineering, legal, advertising, promotional, and, except for accounting services (which shall be provided in accordance with the Shareholders Joint Venture Agreement), other advisory and professional services as

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- 2.3.4. Protect, keep and maintain the properties and assets of Fibro-NTI and such properties and assets of the Parties to the Shareholders Joint Venture Agreement as are in the Corporation's actual possession;
  - 2.3.5. Hire, train and supervise such personnel as may be necessary, desirable or appropriate for the conduct of the Corporation's Business;
  - 2.3.6. Provide all executive and administrative responsibilities and services necessary, desirable or appropriate for the conduct of the Corporation's Business;
  - 2.3.7. Cause Fibro-NTI to comply with all laws applicable to it;
  - 2.3.8. Process all customer orders, provide billings to customers and make adjustments with customers as appropriate;
  - 2.3.9. Manage the credit risk of the Corporation including making inquiries regarding the creditworthiness of potential customers;
  - 2.3.10. Manufacture or cause the manufacture of Product and Other Agreed Upon Technologies in the Territory, and, as far as Fibrobeton and its affiliates are concerned, At Cost;
  - 2.3.11. Maintain the books and records of the Corporation in accordance with the normal practices of similar businesses in the Territory;
  - 2.3.12. Prepare and file with governmental authorities all required reports and returns relating to the Corporation's Business;
  - 2.3.13. Procure on behalf of the Corporation such product liability, public liability and other liability, casualty, and general insurance, as may be necessary, desirable and appropriate for the conduct of the Corporation's Business in the Territory;

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- 2.3.14. Establish and maintain a segregated bank account or accounts in the name of the Corporation for the deposit and disposition of all funds generated by and disbursed for the Corporation's Business;
  - 2.3.15. Apply standards for the extension of credit and establish and maintain systems for the collection of all accounts, including overdue accounts in accordance with the normal practices of similar businesses in the Territory;
  - 2.3.16. Coordinate the pricing and discount structure for the sale of Product and Other Agreed Upon Technologies to customers and/or distributors in the Territory, which will result in a reasonable profit to the Corporation, subject to the provisions of Article 7.3.17. of the Shareholders Joint Venture Agreement;
  - 2.3.17. Arrange for the preparation and delivery of the Corporation's financial statements as required by the Shareholders Joint Venture Agreement;
  - 2.3.18. Cause Agents of the Corporation to execute appropriate Trade Secrecy Agreements for the benefit of NTI and/or NTI ASEAN, substantially in the form of Appendix IV hereto; and to execute Trade Secrecy Agreements for the benefit of Fibrobeton, substantially in the form of Appendix V hereto; and
  - 2.3.19. Perform or cause the Corporation to perform all other acts and functions as may be necessary, desirable or appropriate in connection with the conduct of the Corporation's Business within its corporate authority as stated in Fibro-NTI's Articles of Association, subject to the Shareholders Joint Venture Agreement, the Ancillary Agreements and duly adopted Resolutions of the Board of Directors.

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**ARTICLE 3**  
**PAYMENTS TO FIBROBETON FOR ITS SERVICES AS**  
**MANAGER OF THE CORPORATION**

3.1. **Basis for Payments.**

Fibro-NTI shall make payments to Fibrobeton which are provided for in Article 3 of this Management Agreement in consideration of the services performed by Fibrobeton as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Management Agreement as compensation for the services set forth above and duly provided by Fibrobeton.

3.2. **Compensation to Fibrobeton for Management Services Rendered to Fibro-NTI with Respect to Product.**

As compensation for the management services to be rendered by Fibrobeton pursuant to this Management Agreement with respect to Product, Fibro-NTI shall pay to Fibrobeton a fee equal to seven and a half percent (7.5%) of the amount of Net Sales of Product, plus reimbursement of reasonable, direct out-of-pocket expenses (At Cost) paid or incurred by Fibrobeton in the discharge of its responsibilities hereunder. Such amounts shall be paid to Fibrobeton within thirty (30) days after the conclusion of each quarterly period, based upon Net Sales and out-of-pocket expenses during the preceding quarterly period. There shall, however, be no separate or additional compensation in conjunction with services, such as accounting, invoicing or other management or administrative functions, which services are to be performed by Fibrobeton within the scope of its responsibilities as Manager.

3.3. **Compensation to Fibrobeton for Services Hereunder with Respect to Other Agreed Upon Technologies.**

Compensation to Fibrobeton for services rendered within the scope of this Management Agreement with respect to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Unless otherwise agreed between the Parties, however, Fibrobeton shall perform substantially the same functions, and have substantially the same rights, duties and obligations with respect to Other Agreed Upon Technologies as it does with respect to Product. Accordingly, Fibrobeton's total Compensation with respect to the services rendered with respect to Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the total Compensation paid to Fibrobeton for the services it renders to the Corporation with respect to Product.

### 3.4. When a Sale is Deemed to Occur.

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed or (if not billed) delivered to and fully paid for by a customer.

### 3.5. Support Year.

The term Support Year ("Support Year") shall mean any twelve (12) month period ending on December 31, except that the first Support Year shall commence on the Effective Date and end on the next December 31 date.

### 3.6. Statements and Payment to the Parties Pursuant to the Ancillary Agreements.

Within sixty (60) days after the last day of each quarterly period in each Support Year, Fibrobeton shall cause the Corporation:

- 3.6.1. To prepare and deliver to the Parties a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for, and with respect to all elapsed quarterly periods for the Support Year:
- (i) The total amount of Net Sales of Product (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (ii) The total amount of compensation based upon Net Sales of Product (computed as hereinbefore provided) payable to Fibrobeton for its Management Services to the Corporation hereunder; and
  - (iii) The total amount of compensation based upon Net Sales of Product payable to Atagençer pursuant to the Sales Representation Agreement; and

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- (iv) The total amount of compensation based upon Net Sales of Product payable to NTI pursuant to the License Agreement; and
- (v) The total amount of compensation based upon Net Sales of Product payable to NTI pursuant to the Technical Assistance and Marketing Support; and
- (vi) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by volumes and individual customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
- (vii) The total amount of compensation based upon Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to Fibrobeton for its Management Services to the Corporation hereunder; and
- (viii) The total amount of compensation based upon Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to Atagençer pursuant to the Sales Representation Agreement; and
- (ix) The total amount of compensation based upon Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI pursuant to the License Agreement; and
- (x) The total amount of compensation based upon Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI pursuant to the Sales Representation Agreement.

- 3.6.2. Pay the full amount of compensation to the Parties which each Party is entitled pursuant Article 3.6.1. hereof.

### 3.7. Books and Records.

Fibrobeton covenants and agrees that, as part of its duties under Article 2 hereof, it will cause Fibro-NTI:

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- 3.7.1. To keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales of Product and of Other Agreed Upon Technologies and all additional data and information which may be reasonably necessary to enable Fibrobeton or its independent accountants to verify the completeness and accuracy for each item of information which Fibro-NTI is required to set forth in each of the statements referred to in Article 3.6.1.;
- 3.7.2. To keep all such commercial and financial records and books of account at its principal office and to preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records, or the last entry in such books of account was made, whichever shall be later; and
- 3.7.3. To make such commercial and financial records, books of account, data and information available to Fibrobeton and/or its representatives and independent accountants and to give such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which Fibro-NTI is required to set forth in each of the statements referred to in Article 3.7.1. hereof. In addition, the Parties shall have the right to make copies of any of the foregoing. The independent accountants of Fibro-NTI shall in the ordinary course of business provide written confirmation and certification to the Parties, at least annually, to the Financial Bank Records of Fibro-NTI. The cost of such reports shall be borne by Fibro-NTI. In the event that a Party shall cause its representatives to confirm or verify the accuracy of the data supplied by the Corporation, then the costs and fees of such representatives shall be borne by such Party, unless such representatives shall determine, to the satisfaction of the Corporation's independent accountants, that there is a variation in the reporting of the Financial Bank Records or more, in which event the costs and fees of such Party's representatives and/or accountants shall be borne by the Corporation.

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**ARTICLE 4**  
**PROTECTION OF FIBROBETON TRADE SECRETS**

4.1. Identification of Fibrobeton Trade Secrets.

The Parties acknowledge that it is not intended that Fibrobeton impart its technology or trade secrets to the Corporation or, through the Corporation, to NTI. The Parties recognize, however, that Fibrobeton may impart information to the Corporation to further the Corporation's Business, which Fibrobeton considers to be proprietary in nature and thus wishes to be kept confidential, and that such Fibrobeton Trade Secrets may come to be imparted to NTI through the Corporation. In order for such information to be considered under the category of Fibrobeton Trade Secrets, Fibrobeton must alert the Corporation and NTI to the fact that it intends to impart information it considers proprietary to the Corporation, in writing, in advance of imparting such information, and clearly identify such information as a Fibrobeton Trade Secret ("Fibrobeton Trade Secrets").

4.2. Protection of Fibrobeton Trade Secrets.

Fibro-NTI agrees that during the term of this Management Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all Fibrobeton Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and the Ancillary Agreements. Fibrobeton Trade Secrets shall not be disclosed by Fibro-NTI to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of Fibro-NTI, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a Fibrobeton Trade Secret shall be in the public domain as the result of an act by Fibro-NTI or any Agent thereof, then Fibro-NTI shall nevertheless continue to keep such Fibrobeton Trade Secret secret and inviolate.

4.3. Protection of Fibrobeton Trade Secrets by Agents of Fibro-NTI.

Neither Fibro-NTI, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without Fibrobeton's prior written consent, the originals or copies of any Fibrobeton Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as Fibrobeton Trade Secrets be strictly maintained both as to original documents and copies thereof.

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4.3.1. Insofar as the officers, employees and consultants of Fibro-NTI (herein collectively "Agents") who come in contact with Fibrobeton Trade Secrets are concerned, Fibro-NTI shall cause such Agents to enter into Fibrobeton Trade Secrecy Agreements substantially in the form of Appendix V to this Agreement. Fibro-NTI shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Fibrobeton Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

4.3.2. The Parties hereby agree and acknowledge that Fibrobeton is an intended third party beneficiary of the Fibrobeton Trade Secrecy Agreements, and that Fibrobeton may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the Fibrobeton Trade Secrecy Agreements and/or any breach thereof against any and all Agents of Fibro-NTI (as defined in Article 4.3.1 hereof) who have executed same.

4.4. Remedies in the Event of a Violation of Article 4 Hereof.

It is understood and recognized by Fibro-NTI that in the event of any violation by Fibro-NTI and/or its Agents of the provisions of Article 4 hereof, Fibrobeton's remedy at law will be inadequate and Fibrobeton will suffer irreparable injury. Accordingly, Fibro-NTI consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by Fibrobeton and in any court of competent jurisdiction to protect Fibrobeton Trade Secrets. Such relief shall be in addition to any other relief to which Fibrobeton may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Management Agreement.

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**ARTICLE 5**  
**COVENANT TO OBSERVE THE**  
**DOCTRINE OF "CORPORATE OPPORTUNITY"**

5.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Management Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development and implementation of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies, and/or the application of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

5.2. Agreement Not to Divert Resources.

Fibrobeton and Fibro-NTI agree that during the term of this Management Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term Fibrobeton shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Management Agreement is terminated: (i) because of a material Breach of the Shareholders

Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 6 hereof; (iv) pursuant to Article 7 hereof; or (v) upon a Breach of Article 4 or 5 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 4 of this Management Agreement for a period of three years following the date of termination, but Fibro-NTI shall at no time be permitted to use Fibro-NTI Trade Secrets, for any activity outside the Corporation, including but not limited to such activities which would have the effect of diverting resources from the Corporation.

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5.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 5 hereof by a Party, the remedy at law will be inadequate and that the other Party to this Management Agreement shall suffer irreparable injury. Accordingly, each Party to this Management Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include, but not be limited to, the right of immediate termination of this Management Agreement.

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**ARTICLE 6**  
**TERM OF AGREEMENT**

6.1. Indefinite Term.

This Management Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

6.2. Termination.

This Management Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 6.2.1. Terminated by either Party in accordance with the provisions of Articles 4 and/or 5 hereof;
- 6.2.2. Terminated in accordance with Article 6.3 and/or Article 6.4 hereof;
- 6.2.3. Terminated by either Party by reason of a material Breach or Default of this Management Agreement by the other Party which has not been cured or remedied in accordance with Article 7 hereof; or
- 6.2.4. Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event, this Management Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

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6.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party may, upon six (6) months prior written notice given to such Party, terminate this Management Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

6.4. Termination Upon Bankruptcy or Insolvency.

If Fibro-NTI hereto shall become bankrupt or insolvent or shall file for any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings for bankruptcy, insolvency, reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Management Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Management Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Management Agreement if:

- 6.4.1. Payments due under this Management Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- 6.4.2. Payments due under this Management Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and
- 6.4.3. All other provisions of this Management Agreement are complied with fully by the Party subject to such proceedings.

6.5. Payment of Amounts Due.

In the event of termination of this Management Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Management Agreement prior to the effective date of termination.

6.6. Cooperation Upon Termination.

Upon termination of this Management Agreement, the Corporation shall cooperate with Fibrobeton in transferring Fibrobeton Trade Secrets, if any, to Fibrobeton or its designated assignee; and Fibrobeton and Corporation shall cooperate with NTI and/or NTI ASEAN in transferring NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets to NTI, NTI ASEAN or their designated assignee.

6.7. Non-Release of Obligations.

The termination of this Management Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 4, upon termination of this Management Agreement, Fibrobeton Trade Secrets shall continue to be kept secret and confidential.

6.8. Cessation of Rights Upon Termination.

Upon the termination of this Management Agreement, for reason of Default or Breach of this Management Agreement or of the Shareholders Joint Venture Agreement or an Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Management Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 8 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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**ARTICLE 7**  
**DEFAULT**

7.1. Event of Default.

A Default ("Default") hereunder shall exist in the event of:

- 7.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or
- 7.1.2. A material Breach ("Breach") of any provision of this Management Agreement other than Articles 4 and/or 5 hereof, of the Shareholders Joint Venture Agreement, or any of the other Ancillary Agreements; and/or
- 7.1.3. A Breach of Articles 4 and/or 5 hereof.

7.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 7.2.1. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Management Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Management Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

- 7.2.2. Notwithstanding the foregoing, in the event of a violation of Articles 4 and/or 5 hereof by a Party hereto, the other Party may at its sole discretion terminate this Management Agreement with immediate effect upon giving notice to the Party in Default or Breach of Articles 4 and/or 5 hereof as provided herein.

7.3. Non-Waiver of Rights.

A Party's failure to terminate this Management Agreement on account of any Breach or Default by the other Party as provided in Article 7.1 or 7.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Management Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 7.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 8**  
**DISPUTE RESOLUTION**

8.1. Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 8.2 hereof, which may arise between the Parties during the term of this Management Agreement, after the termination thereof, or following the liquidation or dissolution of the Corporation, upon failure by the Parties to amicably resolve same after mutual good

faith negotiations, shall be exclusively settled by arbitration, including but not limited to, the following:

- 8.1.1. A dispute as to whether a Default exists;
- 8.1.2. A dispute as to whether a Default entitles the non-defaulting Party to terminate this Management Agreement;
- 8.1.3. A dispute as to the validity of this Article 8;
- 8.1.4. A dispute relating to the construction, meaning, interpretation, application or effect of this Management Agreement or anything contained herein;
- 8.1.5. A dispute as to the rights, obligations or liabilities of the Parties hereunder.

8.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Management Agreement:

- 8.2.1. Arbitration may not be invoked regarding matters expressed in this Management Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 8.2.2. Arbitration may not be invoked if Fibrobeton, in its capacity as Manager of Fibro-NTI, causes Fibro-NTI to commit a Breach or Default of this Management Agreement or of the Shareholders Joint Venture Agreement or of any of the Ancillary Agreements. Such action shall be considered a Breach by Fibrobeton of Article 6.2 hereof.

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- 8.2.3. Arbitration may not be invoked if a Party violates the provisions of this Management Agreement relating to Fibrobeton Trade Secrets or Corporate Opportunity. In such event, the remedies set forth in Articles 4, 5 and/or 7 hereof shall apply.

8.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In the interpretation of this Management Agreement, the laws of Turkey shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any Turkey in the world pursuant to such judgment.

8.4. Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this Management Agreement, the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

8.5. Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**ARTICLE 9**  
**GENERAL PROVISIONS**

9.1. Benefit of Parties.

All of the terms and provisions of this Management Agreement, the Shareholders Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Management Agreement and all of such Party's rights hereunder (or a portion of this Management Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

9.2. Counterparts.

This Management Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.3. Cooperation.

During the term of this Management Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Management Agreement as well as those of the Shareholders Joint Venture Agreement and the other Ancillary Agreements and to carry out the true intent and purposes thereof.

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9.4. Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this Management Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Management Agreement, as identified by their insertion in parentheses and quotation marks (“Defined Terms”), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Management Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Management Agreement before or after they are defined.

9.5. Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Management Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Party hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party’s rights in respect to any other covenants, condition, Breach or Default hereunder.

9.6. Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Management Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Management Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

9.7. Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Management Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

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If to Fibrobeton, to: Fibrobeton Precast Concrete Ltd.  
Elemanari Sanaye Insaat  
  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
  
80620 1. Levent  
  
Istanbul, Turkey

If to Fibro-NTI, to: Fibro-NTI  
Elemanari Sanaye Insaat  
  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
  
80620 1. Levent  
  
Istanbul  
Turkey

Copy to: Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-651-784-2902

Copy to: Northern Technologies International Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

Copy to: Atagençer, LLC  
Attention: Dr. Mehmet Gençer  
10988 Tanager Trail  
Brecksville, OH 44141  
Tel: 440-838-4543  
Fax: 440-838-4584

or to such other address as may be specified in writing by any of the above.

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9.8. Entire Agreement.

This Management Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Management Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Management Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Management Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Management Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

9.9. Validity of Provisions.

Should any part of this Management Agreement, the Shareholders Joint Venture Agreement or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Management Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

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9.10. Governmental Filings.

Fibrobeton shall be responsible for the preparation and filing of all necessary reports relating to this Management Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

9.11. Payments.

Any payment to be made to Fibrobeton pursuant to any provision of this Management Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by Fibrobeton. Fibrobeton shall have the right to specify in writing any bank account to which payments due it shall be made.

9.12. Derivative Enforcement by NTI

In the event of a Material Breach or Default of this Management Agreement by Fibrobeton and/or its Agents, NTI may, derivatively for and on behalf of the Corporation, enforce the terms hereof against Fibrobeton and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 8 hereof.

9.13. Changes Subject to Approval of NTI.

The Parties to this Management Agreement shall not change, modify or amend this Management Agreement in any respect without the prior written consent of NTI.

9.14. Changes Subject to Approval of Atagençer.

The Parties to this Management Agreement shall not change, modify or amend this Management Agreement in any respect without the prior written consent of Atagençer.

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IN WITNESS WHEREOF, the Parties have executed this Management Agreement as of the day and year first above written.

**FIBROBETON PRECAST CONCRETE LTD.**

By  /s/  
\_\_\_\_\_

**FIBRO-NTI, JOINT STOCK COMPANY**

By  /s/  
\_\_\_\_\_

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**APPROVAL OF NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By its signature hereto Northern Technologies International Corporation approves and agrees to the terms and provisions of this Management Agreement and of the form of Fibrobeton Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that the terms and provisions thereof are

applicable to it, it being understood that Northern Technologies International Corporation shall also have a direct right of action in its own name for the enforcement of the provisions of this Management Agreement.

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By /s/ Philip M. Lynch

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**APPROVAL OF ATAGENÇER, LLC**

By its signature hereto ATAGENÇER, LLC approves and agrees to the terms and provisions of this Management Agreement and of the forms of Fibrobeton Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that ATAGENÇER, LLC shall also have a direct right of action in its own name for the enforcement of the provisions of this Management Agreement.

**ATAGENÇER, LLC**

By /s/ Dr. Mehmet A. Gencer

\_\_\_\_\_

LICENSE AGREEMENT

BY AND BETWEEN

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

AND

FIBRO-NTI, JOINT STOCK COMPANY

DATED AS OF JUNE 24, 2001

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## LICENSE AGREEMENT

This License Agreement is made and entered into as of June 24, 2001, by and between **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a corporation organized under the laws of the State of Delaware, U.S.A. (“NTI”), whose registered office is 6680 North Highway 49, Lino Lakes, Minnesota, U.S.A. and **FIBRO-NTI, JOINT STOCK COMPANY**, a joint stock company organized under the laws of Turkey whose principal office is located at Elemanari Sanaye Insaat, ve Tic. Ltd. Sti, Karanfil Cad. 27, 80620 1. Levent, Istanbul, Turkey (hereinafter “Fibro-NTI”).

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### **ARTICLE 1** **DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply:

1.1. Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between NTI (as hereinafter defined), and the other Parties (as hereinafter defined) dated as of June 24, 2001, for the formation and governance of a new entity under the laws of Turkey in the form of a limited liability company which shall be known as Fibro-NTI (“Fibro-NTI” or the “Corporation”).

1.2. Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

- 1.2.1. Management Agreement between Fibrobeton and the Corporation (“Management Agreement”); and
- 1.2.2. Sales Representation Agreement between Atagençer, LLC (“Atagençer”) and the Corporation (“Sales Representation Agreement”); and
- 1.2.3. License Agreement between NTI and the Corporation (“License Agreement”); and
- 1.2.4. Technical Assistance and Marketing Support Agreement between NTI and the Corporation (“Technical Assistance Agreement”).

1.3. Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

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1.4. NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A., the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in the Corporation pursuant to the Shareholders Joint Venture Agreement. In addition, NTI is the owner of a 50% interest in NTI ASEAN (as hereinafter defined).

1.5. Taiyonic.

Taiyonic Ltd., a company organized under the laws of Japan and an NTI Affiliate, which may help in marketing Product to Japanese companies for and on behalf of Fibro-NTI, either in the Territory or internationally as per terms to be agreed to with the support of NTI, as the Parties desire. Taiyonic is 50% owned by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.6. NTI ASEAN.

NTI ASEAN, LLC, a limited liability company, organized under the laws of the State of Nevada, U.S.A., whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the ASEAN Region (as set forth in Article 1.7.2 hereof), outside of Japan and the Republic of South Korea. NTI ASEAN is owned 50% by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.7. NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Know-How, Materials, Process, Product and/or Masterbatch anywhere in the world.

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1.7.1 NTI Affiliates.

Current NTI Affiliates are set forth in Appendix I hereof.

1.7.2 NTI ASEAN Affiliates.

Current NTI ASEAN Affiliates are set forth in Appendix II hereof.

1.8. Corporation or Joint Venture.

Fibro-NTI, that entity created in Turkey by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation's Business in the Territory, also referred to herein as "Fibro-NTI".

1.9. Corporation's Business.

The Corporation's Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.10. Territory.

The Territory of Turkey and any other Territories as shall be agreed between the Parties.

1.11. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the Republic of Turkey for the Shareholders Joint Venture Agreement were obtained and the Corporation was duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.12. NTI Intellectual Property Rights.

The Know-How, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

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1.13. Know-How.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, both directly and through NTI Affiliates; which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.14. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality control which are required for utilization of the Process.

1.15. Process.

The procedure utilizing the Know-How for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.16. Product.

Volatile Corrosion Inhibiting ("VCI") materials incorporated in polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may also include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.17. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.18. Trademark.

The name and style “ZERUST”, the “Zerust People”, “EXCOR”, the NTI Logo and the Color Yellow as applied to VCI packaging materials, including trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions. NTI is the registered owner of the Trademark in the Jurisdictions cited hereof in Appendix III.

1.19. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Know-How, Materials, Process, Product, and/or Masterbatch, together with information regarding technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.20. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the commercial activities of Fibro-NTI over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation’s Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation’s activities, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation’s activities as “Other Agreed Upon Technologies” to be treated as set forth in the Shareholders Joint Venture Agreement and the Ancillary Agreements.

1.21. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm’s length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.22. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription “At Cost”).

1.23. Shareholder.

Any holder, from time to time, of Shares of the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.24. Shares.

Any validly issued shares of the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.25. Transfer of Shares.

Any sale, transfer, assignment, pledge or disposition of Shares of the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.26. Transferor of Shares.

A Shareholder who declares an intention to Transfer Shares of the Corporation and/or initiates the Transfer of Shares.

1.27. Transfer Price for Shares.

The price per share for the Shares of the Corporation offered on an arm’s-length basis by an outside party to the Transferor in a bona fide written offer.

1.28. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Shares pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.29. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

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**ARTICLE 2**  
**GRANT OF LICENSE BY NTI TO**  
**FIBRO-NTI WITH RESPECT TO PRODUCT**

2.1. NTI's Representations.

NTI is the owner of the NTI Intellectual Property Rights and is free to disclose and license the NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets to Fibro-NTI for use in the Territory.

2.2. Grant of License by NTI to Fibro-NTI with Respect to Product.

NTI hereby grants to Fibro-NTI upon the terms, provisions and conditions set forth herein, an exclusive, non-transferable right and license to the Know-How and Process to make, have made, use, sell or otherwise dispose of Product incorporating Masterbatch under the Trademark within the Territory. Fibro-NTI shall not sell, distribute, promote or solicit customers for Product outside of the Territory including but not limited to such countries or regions where (i) NTI and/or NTI ASEAN has a corresponding patent(s) filed and in effect; (ii) NTI and/or NTI ASEAN has licensed or otherwise authorized the use of the Trademark; (iii) NTI and/or NTI ASEAN has granted exclusive sales rights to a third party licensee; (iv) NTI and/or NTI ASEAN has formed an alliance with another NTI and/or NTI ASEAN Affiliate; or (v) NTI and/or NTI ASEAN engages in the regular sale of Product.

2.3. Commitment to NTI by Fibro-NTI in Consideration of Exclusive License to Intellectual Property Rights in Territory.

Fibro-NTI agrees that during the term of this License Agreement it shall not, without the prior written consent of NTI, enter into a license agreement, distribution agreement or any other agreement or relationship with any other party for the use of such party's processes, Know-How, techniques and procedures which would in any way conflict with, substitute, displace or impede the Corporation's Business within the Territory; and acknowledges that such action would constitute a violation of Article 8 hereof.

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2.4. Enlargement of Scope of NTI Intellectual Property Rights Not Subject to This License.

It is recognized that over a period of time the scope of the NTI Intellectual Property Rights not covered by this License Agreement may expand in related areas. The addition of such additional NTI Intellectual Property Rights under this License Agreement shall be as mutually agreed by NTI and Fibro-NTI, based upon their joint assessment of the prospective market therefor within the Territory and the suitability of including such additional NTI Intellectual Property Rights within the Corporation's Business.

2.5. Claims Against Fibro-NTI for Infringement of Third Party Intellectual Property Rights.

Notwithstanding the provisions of Article 2.1 hereof, in the event that any third party shall claim that Fibro-NTI is infringing upon its patents or other intellectual property rights, Fibro-NTI shall promptly notify NTI of such claims. Thereafter, NTI and Fibro-NTI shall together determine an appropriate course of conduct in response to such claims.

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**ARTICLE 3**  
**IMPROVEMENTS AND MODIFICATIONS TO**  
**NTI INTELLECTUAL PROPERTY RIGHTS**

3.1. Ongoing Research and Development by NTI.

NTI shall continue its efforts in research and development to improve the NTI Intellectual Property Rights and NTI shall make the results of such research and development available to Fibro-NTI through this License Agreement.

3.2. Improvements to NTI Intellectual Property Rights by NTI and/or NTI ASEAN.

Any and all improvements or modifications to the NTI Intellectual Property Rights, of whatever nature and description, made by or through NTI and/or NTI ASEAN, or acquired by either of them, or coming under their control during the term of this License Agreement, which relate to the Product and which are suitable and useful in the Corporation's Business, shall be deemed to be covered by this License Agreement and shall be made available to Fibro-NTI without any payment therefor in addition to the payments provided for in this License Agreement. It is understood, however, that if NTI and/or NTI ASEAN should acquire improvements in or modifications to the NTI Intellectual Property Rights by means of a license from a third party, then NTI's and/or NTI ASEAN's obligations to the Corporation hereunder shall be subject to the provisions of such license.

3.3. Disclosure of Improvements in and Modifications to the NTI Intellectual Property Rights by NTI and/or NTI ASEAN to Fibro-NTI.

NTI and/or NTI ASEAN agree to disclose to Fibro-NTI promptly any and all improvements in or modifications to the NTI Intellectual Property Rights as covered by this License Agreement, and any and all Know-How and technical information which NTI and/or NTI ASEAN may acquire with respect to or relating to any such improvements or modifications. Anything in this License Agreement to the contrary notwithstanding, in the event that:

- 3.3.1. NTI and/or NTI Asean should determine that any such improvements in or modifications to the NTI Intellectual Property Rights, which are proprietary to either of them, are themselves patentable and the disclosure thereof would in any manner adversely affect NTI's and/or NTI Asean's ability to obtain a patent with respect thereto or would otherwise be adverse to their best interests with respect to the protection of the NTI Intellectual Property Rights related thereto; and/or
- 3.3.2. NTI and/or NTI Asean intend to file or have filed a patent application with respect thereto; then

neither NTI nor NTI ASEAN shall be under any obligation to make disclosure thereof to Fibro-NTI until they have obtained adequate patent protection in the opinion of their patent counsel. When such patent protection has been obtained, the subject improvements or modifications will then be disclosed promptly to Fibro-NTI and the same will fall within the scope of the License granted to Fibro-NTI pursuant to this License Agreement.

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**ARTICLE 4**  
**GRANT OF RIGHT AND LICENSE BY FIBRO-NTI**  
**TO NTI CONCERNING IMPROVEMENTS IT MAY ACQUIRE**  
**TO NTI INTELLECTUAL PROPERTY RIGHTS**

4.1. Disclosure of Improvements to NTI by Fibro-NTI.

Fibro-NTI agrees to disclose promptly to NTI any improvements in or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by Fibro-NTI or which are made by or through its efforts, without any obligation by NTI to make payment therefor.

4.2. Grant of Right and License by Fibro-NTI to NTI.

Fibro-NTI hereby grants to NTI an exclusive, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and Know-How owned, controlled, or acquired by Fibro-NTI or which may otherwise be transferred or granted to Fibro-NTI during the term of this License Agreement and for a period of two years following the termination hereof to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements in and modifications to NTI Intellectual Property Rights together with the Know-How, Materials, Process, Product and/or Masterbatch, and/or to sublicense third parties to do the same.

4.3. Obligations of Fibro-NTI Concerning the Filing of New Patents.

Fibro-NTI agrees that at NTI's request and at NTI's cost it will promptly file and diligently prosecute applications for letters patent in the name of NTI on any and all patentable improvements to NTI Intellectual Property Rights coming into its purview. Fibro-NTI further agrees, upon NTI's request and at NTI's cost, that it will promptly file and diligently prosecute corresponding patent applications in the name of NTI in such other countries outside the Territory as are designated by NTI.

4.4. Review of Potentially Infringing Technology.

In the event that Fibro-NTI shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then Fibro-NTI shall forthwith provide NTI and/or NTI ASEAN with whatever information it may have with respect thereto. NTI and/or NTI ASEAN and Fibro-NTI will then consult with one another as to:

- 4.4.1. Taking appropriate legal action against such third party for infringement of NTI Intellectual Property Rights together with NTI and/or NTI ASEAN Trade Secrets; and/or
- 4.4.2. Purchasing, licensing or otherwise acquiring such technology, processes or patents from such third parties, in which event such rights as are acquired shall be extended to NTI pursuant to Article 4.2 hereof. In such event, based upon the joint decision of the Parties, Fibro-NTI shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

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**ARTICLE 5**  
**RESPONSIBILITIES OF NTI TO NEW JOINT**  
**VENTURE WITH RESPECT TO THE LICENSING OF**  
**OTHER AGREED UPON TECHNOLOGIES**

5.1. Agreement of the Parties to Add Other Agreed Upon Technologies to the Scope of the Corporation's Business.

The Parties to the Shareholders Joint Venture Agreement and to the Ancillary Agreements agree that it is a stated objective to build Fibro-NTI by adding Other Agreed Upon Technologies to the scope of the Corporation's Business.

5.2. Search for Other Agreed Upon Technologies.

NTI shall diligently search for Other Agreed Upon Technologies, appropriate for the Territory, which might reasonably be included within the Scope of the Corporation's Business.

5.3. Licensing Strategy for Other Agreed Upon Technologies.

The Parties agree to cooperate with each other in evaluating licensing opportunities and in promulgating strategy with respect to negotiating and concluding license agreements for Other Agreed Upon Technologies for and on behalf of the Corporation in the Territory. Further, the Parties to this License Agreement and to the Shareholders Joint Venture Agreement agree that NTI shall take the lead with respect to negotiating the most favorable terms possible with the owner(s) of the intellectual property rights with respect to Other Agreed Upon Technologies which the Parties wish to add to the scope of the Corporation's Business in the Territory; but that NTI shall not conclude any agreement for such intellectual property rights for and on behalf of Fibro-NTI in the Territory, without the express written approval of NTI and Fibro-NTI, which approval shall not be unreasonably withheld.

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5.4. Development of the Market for Other Agreed Upon Technologies, Once Licensed, in the Territory.

The Parties recognize that the structure of the market for Other Agreed Upon Technologies in the Territory may require a different marketing approach from that required by the structure of the market of Product. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies for planning purposes. The Parties agree, however, to cooperate in fulfilling the terms of such license agreement as may be concluded with the joint approval of the Parties, for Other Agreed Upon Technologies, which shall generally comport a "best efforts" commitment by the Parties jointly to maximize the commercial and financial results of the Corporation's Business for Fibro-NTI with respect to Other Agreed Upon Technologies, in accordance with the provisions of the Shareholders Joint Venture Agreement and the Ancillary Agreements.

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**ARTICLE 6**  
**ROYALTIES**

6.1. Basis for Royalties With Respect to Product.

Fibro-NTI shall pay the royalties to NTI with respect to Product which are provided for in Article 6 of this License Agreement in consideration of the grant of License as set forth in Article 2 hereof, which includes certain rights to NTI Intellectual Property Rights, the Know-How, Materials, Process, Product, Masterbatch and Trademark, together with the NTI and/or NTI ASEAN Trade Secrets disclosed herewith or furnished at a later date under this License Agreement by NTI to Fibro-NTI. Such royalty payments shall be made throughout the entire term of this License Agreement as compensation in full for the rights set forth above and duly licensed by NTI to Fibro-NTI provided that NTI, together with NTI Affiliates maintains diligent, tangible effort to improve the NTI Intellectual Property Rights licensed to Fibro-NTI hereunder, in accordance with Articles 3.1 and 3.2 hereof.

6.2. Royalties Due with Respect to Product.

Fibro-NTI shall pay to NTI a royalty equal to seven and one-half percent (7.5%) of Net Sales of Product by the Corporation. Royalties, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by NTI from time to time.

6.3. Royalties Payable to NTI With Respect to Other Agreed Upon Technologies.

Royalties to be paid by Fibro-NTI to NTI with respect to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Upon completion of a satisfactory agreement to license the rights to include advanced products, materials and/or technologies, under terms acceptable to the Parties, within the scope of the Corporation's Business as an Other Agreed Upon Technology, NTI shall perform substantially the same functions directly and/or cause the performance of substantially the same functions for the Corporation under this License Agreement with respect to each Other Agreed Upon Technology, that such Party does with respect to NTI Intellectual Property Rights, including but not limited to NTI's commitment to ongoing research and development of Other Agreed Upon Technologies as set forth in Articles 3.1 and 3.2 hereof. Accordingly, the percentage of royalties to be paid to NTI with respect to Net Sales of Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the percentage of royalties paid by Fibro-NTI to NTI with respect to Net Sales of Product.

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6.4. No Separate Compensation to NTI on Technology Transfer.

There shall be no separate compensation to NTI for the transfer of technology to Fibro-NTI with respect to NTI Intellectual Property Rights or rights to Other Agreed Upon Technologies, beyond the royalty payments payable to NTI on the actual sale of Product and goods based upon Other Agreed Upon Technologies by the Corporation, as set forth in Articles 6.1., 6.2. and 6.3. hereof.

6.5. When a Sale is Deemed to Occur.

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

6.6. License Year.

The term "License Year" shall mean any twelve (12) month period ending on December 31, except that the first License Year shall commence on the Effective Date and end at the next 31 December date.

6.7. Statements to NTI.

Within sixty (60) days after the last day of each quarterly period in each License Year, Fibro-NTI shall:

6.7.1. Prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for, and

with respect to, all elapsed quarterly periods for the License Year:

- (i) The total amount of Net Sales of Product (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer);

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- (ii) The total amount of royalties on such Net Sales of Product (computed as hereinbefore provided) payable to NTI.
- (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
- (iv) The total amount of royalties on such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI.

6.7.2. Pay to NTI the full amount of the royalties to which it is entitled for and with respect to the period or periods of the License Year covered by the statement(s) provided for in Article 6.7.1 hereof.

#### 6.8. Books and Records.

Fibro-NTI covenants and agrees:

6.8.1. That it will keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales of Product and Other Agreed Upon Technologies and all additional data and information which may be reasonably necessary to enable NTI's independent accountants to verify the completeness and accuracy of each item of information which Fibro-NTI is required to set forth in each of the statements referred to in Article 6.7.1;

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6.8.2. That it will keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

6.8.3. That it will make such commercial and financial records, books of account, data and information available to NTI's representatives and to NTI's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which Fibro-NTI is required to set forth in each of the statements referred to in Article 6.7.1 hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The independent accountants of Fibro-NTI shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data to be supplied to NTI pursuant to Article 6.7.1 hereof. The cost of such reports shall be borne by Fibro-NTI. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by Fibro-NTI, then the costs and fees of such representatives shall be borne by NTI unless such representatives shall determine, to the satisfaction of Fibro-NTI's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of NTI's representatives and/or accountants shall be borne by Fibro-NTI.

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### **ARTICLE 7** **PROTECTION OF NTI AND/OR** **NTI ASEAN TRADE SECRETS**

#### 7.1. Recognition of NTI and/or NTI ASEAN Trade Secrets.

Fibro-NTI acknowledges and agrees that (i) NTI Intellectual Property Rights; (ii) NTI and/or NTI ASEAN Trade Secrets; (iii) the Know-How, Materials, Process, Product and Masterbatch; and (iv) other information deemed confidential by NTI and/or NTI ASEAN and designated herein and hereafter relating to the business of NTI and/or NTI ASEAN, of the Corporation, and of NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are also included within the definition of NTI and/or NTI ASEAN Trade Secrets set forth in Article 1.19 hereof and constitute valuable property rights of NTI, NTI ASEAN and NTI and/or NTI ASEAN Affiliates.

#### 7.2. Protection of NTI and/or NTI ASEAN Trade Secrets.

Fibro-NTI agrees that during the term of this License Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI and/or NTI ASEAN Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and Ancillary Agreements. NTI and/or NTI ASEAN Trade Secrets shall not be disclosed by Fibro-NTI to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of Fibro-NTI, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI and/or NTI ASEAN Trade Secret shall be in the public domain as the result of an act by Fibro-NTI or any Agent (as hereinafter defined) or Submanufacturer (as hereinafter defined) thereof, then Fibro-NTI shall nevertheless continue to keep such NTI and/or NTI ASEAN Trade Secret secret and inviolate.

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7.3. Protection of NTI and/or NTI ASEAN Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of Fibro-NTI.

Neither Fibro-NTI, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location – be it within the Corporation or elsewhere - or retain without NTI's prior written consent, the originals or copies of any NTI and/or NTI ASEAN Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI and/or NTI ASEAN. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI and/or NTI ASEAN Trade Secrets be strictly maintained both as to original documents and copies thereof.

- 7.3.1. Insofar as the officers, employees and consultants of Fibro-NTI (herein collectively "Agents") who come in contact with NTI and/or NTI ASEAN Trade Secrets are concerned, Fibro-NTI shall cause such Agents to enter into NTI and/or NTI ASEAN Trade Secrecy Agreements substantially in the form of Appendix IV to this License Agreement. Fibro-NTI shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI and/or NTI ASEAN Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.
- (i) To the extent that Fibro-NTI provides Masterbatch to Submanufacturers in requisite quantities to allow such Submanufacturers to manufacture Product in the Territory in such volumes and forms as may be required for the Corporation's Business ("Submanufacturers"), it is understood that Fibro-NTI may find it necessary to disclose certain NTI and/or NTI ASEAN Trade Secrets to such Submanufacturers for such purposes only;

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- (ii) NTI and/or NTI ASEAN Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI ASEAN and who have entered into NTI and/or NTI ASEAN Trade Secrecy Agreements with Fibro-NTI in a form approved by NTI ASEAN, but substantially in the form of the NTI and/or NTI ASEAN Trade Secrecy Agreement set forth in Appendix IV hereof;
- (iii) Moreover, only those NTI and/or NTI ASEAN Trade Secrets which are absolutely essential for the functions to be performed by such Submanufacturers shall be disclosed to them.

7.3.2. Fibro-NTI shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to apply the Process with respect to Product, incorporating Masterbatch, for the account of Fibro-NTI. Upon completion of any order for such Process of Product by a Submanufacturer, Fibro-NTI shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer in the Process and so take title to the Product, and shall require the return by the Submanufacturer of any Materials or Masterbatch not utilized in the Process. A form of Sub-License Agreement to be used by Fibro-NTI when ceding physical control of Masterbatch to a Submanufacturer is attached hereto as Appendix V.

7.3.3. The Parties hereby agree and acknowledge that NTI and/or NTI ASEAN are intended third party beneficiaries of the NTI and/or NTI ASEAN Trade Secrecy Agreements, and that NTI and/or NTI ASEAN may in the sole discretion of each, in their own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the NTI and/or NTI ASEAN Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 7.3.1 hereof) and/or Submanufacturers (as defined in Article 7.3.1(i) hereof) who have executed same.

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7.4. Remedies in the Event of a Violation of Article 7 Hereof.

It is understood and recognized by Fibro-NTI that in the event of any violation by Fibro-NTI and/or its Agents of the provisions of Article 7 hereof, NTI and/or NTI ASEAN 's remedy at law will be inadequate and NTI and NTI ASEAN will suffer irreparable injury. Accordingly, Fibro-NTI consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and NTI ASEAN and in any court of competent jurisdiction to protect NTI and/or NTI ASEAN Trade Secrets. Such relief shall be in addition to any other relief to which NTI and/or NTI ASEAN may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this License Agreement.

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**ARTICLE 8**  
**COVENANT TO OBSERVE THE**  
**DOCTRINE OF "CORPORATE OPPORTUNITY"**

8.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this License Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development and implementation of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies and/or the application of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

8.2. Agreement Not to Divert Resources.

Fibro-NTI and NTI agree that during the term of this License Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control

of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term NTI shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this License Agreement is terminated: (i) because of a material Breach of the Shareholders Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 9 hereof; (iv) pursuant to Article 10 hereof; or (v) upon a Breach of Articles 7 or 8 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 8 of this License Agreement for a period of three years following the date of termination, but Fibro-NTI shall at no time be permitted to use NTI and/or NTI ASEAN Trade Secrets for any activity outside the Corporation, including but not limited to such activities which would have the effect of diverting resources from the Corporation.

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8.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 8 hereof by a Party, the remedy at law will be inadequate and that the other Party to this License Agreement shall suffer irreparable injury. Accordingly, each Party to this License Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this License Agreement.

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**ARTICLE 9**  
**TERM OF AGREEMENT**

9.1. Indefinite Term.

This License Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

9.2. Termination.

This License Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 9.2.1. Terminated by either Party in accordance with the provisions of Articles 7 and/or 8 hereof;
- 9.2.2. Terminated in accordance with Article 9.3 and/or Article 9.4 hereof;
- 9.2.3. Terminated by either Party by reason of a material Breach or Default of this License Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof; or
- 9.2.4. Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this License Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

9.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this License Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

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9.4. Termination Upon Bankruptcy or Insolvency.

If Fibro-NTI hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this License Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this License Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this License Agreement if:

- 9.4.1. Payments due under this License Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- 9.4.2. Payments due under this License Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and
- 9.4.3. All other provisions of this License Agreement are complied with fully by the Party subject to such proceedings.

9.5. Payment of Amounts Due.

In the event of termination of this License Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this License Agreement prior to the effective date of termination.

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9.6. Cooperation Upon Termination.

Upon termination of this License Agreement, the Corporation shall cooperate with NTI in transferring NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets, to NTI, NTI ASEAN or their designated assignee; and NTI shall cooperate with the Corporation and with NTI in transferring NTI Trade Secrets to NTI or its designated assignee.

9.7. Non-Release of Obligations.

The termination of this License Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 7, upon termination of this License Agreement, NTI and/or NTI ASEAN Trade Secrets shall continue to be kept secret and confidential by Fibro-NTI .

9.8. Cessation of Rights Upon Termination.

Upon the termination of this License Agreement, for reason of Default or Breach of this License Agreement or of the Shareholders Joint Venture Agreement or of any Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this License Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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**ARTICLE 10**  
**DEFAULT**

10.1. Event of Default.

A Default (" Default") hereunder shall exist in the event of:

- 10.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or
- 10.1.2. A material Breach ("Breach") of any provision of this License Agreement other than Articles 7 and/or 8 hereof, of the Shareholders Joint Venture Agreement, or any of the other Ancillary Agreements; and/or
- 10.1.3. A Breach of Articles 7 and/or 8 hereof.

10.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 10.2.1. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this License Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this License Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- 10.2.2. Notwithstanding the foregoing, in the event of a violation of Articles 7 and/or 8 hereof by a Party hereto, the other Party may at its sole discretion terminate this License Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 7 and/or 8 hereof as provided herein.

10.3. Non-Waiver of Rights.

A Party's failure to terminate this License Agreement on account of any Breach or Default by the other Party as provided in Article 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this License Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 11**  
**DISPUTE RESOLUTION**

11.1. Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 11.2 hereof, which may arise between the Parties during the term of this License Agreement, after the termination thereof, or following the liquidation or dissolution of Fibro-NTI, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- 11.1.1. A dispute as to whether a Default exists;
- 11.1.2. A dispute as to whether a Default entitles the non-defaulting Party to terminate this License Agreement;
- 11.1.3. A dispute as to the validity of this Article 11;
- 11.1.4. A dispute relating to the construction, meaning, interpretation, application or effect of this License Agreement or anything contained herein;
- 11.1.5. A dispute as to the rights, obligations or liabilities of the Parties hereunder.

11.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this License Agreement:

- 11.2.1. Arbitration may not be invoked regarding matters expressed in this License Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 11.2.2. Arbitration may not be invoked if a Party violates the provisions of this License Agreement relating to NTI and/or NTI Asean Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 7, 8 and/or 10 hereof shall apply.

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11.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this License Agreement, the laws of Turkey shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any Turkey in the world pursuant to such judgment.

11.4. Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this License Agreement, the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

11.5. Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**ARTICLE 12**  
**GENERAL PROVISIONS**

12.1. Benefit of Parties.

All of the terms and provisions of this License Agreement, the Shareholders Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this License Agreement and all of such Party's rights hereunder (or a portion of this License Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

12.2. Counterparts.

This License Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3. Cooperation.

During the term of this License Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this License Agreement as well as those of the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

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12.4. Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this License Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this License Agreement, as identified by their insertion in parentheses and quotation marks (“Defined Terms”), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this License Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this License Agreement before or after they are defined.

12.5. Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this License Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party’s rights in respect to any other covenants, condition, Breach or Default hereunder.

12.6. Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this License Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this License Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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12.7. Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this License Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL, UPS or equivalent, as follows:

If to Fibro-NTI , to: Fibro-NTI  
Elemanari Sanaye Insaat  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul  
Turkey

If to NTI, to: Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-651-784-2902

If to NTI, to: Northern Technologies International Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

Copy to: Atagençer, LLC  
Attention Dr. Mehmet Gençer  
10988 Tanager Trail  
Brecksville, OH 44141  
Tel: 440-838-4543  
Fax: 440-838-4584

---

Copy to: Fibrobeton Precast Concrete LTD.  
Elemanari Sanaye Insaat  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul  
Turkey

or to such other address as may be specified in writing by any of the above.

12.8. Entire Agreement.

This License Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those

expressly set forth or provided for in this License Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this License Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this License Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this License Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

12.9. Validity of Provisions.

Should any part of this License Agreement, the Shareholders Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this License Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

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12.10. Governmental Filings.

Fibro-NTI shall be responsible for the preparation and filing of all necessary reports relating to this License Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

12.11. Payments.

Any payment to be made by Fibro-NTI to NTI pursuant to any provision of this License Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due shall be made.

12.12. Derivative Enforcement by the Parties.

The Parties may, derivatively for and on behalf of Fibro-NTI, enforce the terms hereof against the Parties in the event of a material Breach or Default of this Agreement by NTI. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 11 hereof.

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12.13. Changes Subject to Approval of the Parties.

The parties to this License Agreement shall not change, modify or amend this License Agreement in any respect without the prior written consent of the Parties.

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IN WITNESS WHEREOF, the parties have executed this License Agreement as of the day and year first above written.

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By /s/ Philip M. Lynch  
\_\_\_\_\_

**FIBRO-NTI, JOINT STOCK COMPANY**

By /s/  
\_\_\_\_\_

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**APPROVAL OF FIBROBETON PRECAST CONCRETE LTD.**

By its signature hereto FIBROBETON PRECAST CONCRETE LTD. approves and agrees to the terms and provisions of this License Agreement and of the form of NTI and NTI-ASEAN Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that FIBROBETON PRECAST CONCRETE LTD. shall also have a direct right of action in its own name for the enforcement of the provisions of this License Agreement.

**FIBROBETON PRECAST CONCRETE LTD.**

By /s/  
\_\_\_\_\_

---

**APPROVAL OF ATAGENÇER, LLC**

By its signature hereto ATAGENÇER, LLC approves and agrees to the terms and provisions of this License Agreement and of the forms of NTI and NTI-ASEAN Trade Secrecy Agreements attached hereto, and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that ATAGENÇER, LLC shall also have a direct right of action in its own name for the enforcement of the provisions of this License Agreement.

**ATAGENÇER, LLC**By /s/ Dr. Mehmet A. Gencer  
\_\_\_\_\_

SHAREHOLDERS JOINT VENTURE AGREEMENT

BY AND BETWEEN

FIBROBETON PRECAST CONCRETE LTD.

ATAGENÇER, LLC

AND

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

DATED AS OF JUNE 24, 2001

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## SHAREHOLDERS JOINT VENTURE AGREEMENT

This Shareholders Joint Venture Agreement (“Agreement”), is entered into as of June 24, by and between **FIBROBETON PRECAST CONCRETE LTD.**, a company organized under the laws of the Republic of Turkey (“Fibrobeton”), whose principle place of business is Elemanari Sanaye Insaat, ve Tic. Ltd. Sti, Karanfil Cad. 27, 80620 1. Levent, Istanbul, Turkey together with **ATAGENÇER, LLC**, a Limited Liability Company organized under the laws of the State of Ohio, U.S.A. (“Atagençer”), whose principle place of business is 10988 Tanager Trail, Brecksville, Ohio 44141, (collectively the “Partners”), and **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a corporation organized under the laws of the State of Delaware, U.S.A. (“NTI”), whose registered office is 6680 North Highway 49, Lino Lakes, Minnesota, U.S.A. (the “Parties”).

WHEREAS, the Partners and NTI desire to form a Joint Venture in the form of a new entity organized under the laws of Turkey (the “Corporation”, as hereinafter defined) to engage in the Corporation’s Business (as hereinafter provided);

WHEREAS, this Joint Venture shall be called “**Fibro-NTI Ltd.**”(the “Corporation”);

NOW THEREFORE, in consideration of the promises and the mutual agreements, representations, warranties, covenants and provisions herein contained, and intending to be legally bound hereby, the Parties hereto agree as follows:

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### ARTICLE 1 DEFINITIONS

For the purposes of this Agreement, the following Definitions of terms shall apply:

1.1. Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between NTI (as hereinafter defined), and the Parties (as hereinafter defined) dated as of June 24, 2001, for the formation and governance of a new entity under the laws of the Republic of Turkey in the form of a limited liability company which shall be known as Fibro-NTI, Joint Stock Company (“Fibro-NTI” or the “Corporation”).

1.2. Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

- 1.2.1. Management Agreement between Fibrobeton and the Corporation (“Management Agreement”); and
- 1.2.2 Sales Representation Agreement between Atagençer and the Corporation (“Sales Representation Agreement”); and
- 1.2.3. License Agreement between NTI and the Corporation (“License Agreement”); and
- 1.2.4. Technical Assistance and Marketing Support Agreement between NTI and the Corporation (“Technical Assistance Agreement”).

1.3. Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

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1.4. NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A. the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in the Corporation pursuant to this Agreement. In addition, NTI is the owner of a 50% interest in NTI ASEAN (as hereinafter defined).

1.5. Taiyonic.

Taiyonic Ltd., a company organized under the laws of Japan and an NTI Affiliate, which may help in marketing Product to Japanese companies for and on behalf of Fibro-NTI, either in the Territory or internationally as per terms to be agreed to with the support of NTI, as the Parties desire. Taiyonic is 50% owned by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.6. NTI Asean.

NTI ASEAN, LLC, a limited liability company, organized under the laws of the State of Nevada, U.S.A., whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the ASEAN Region (as set forth in Article 1.8.2 hereof), outside of Japan and the Republic of South Korea. NTI ASEAN is owned 50% by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.7. NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Know-How, Materials, Process, Product and/or Masterbatch anywhere in the world.

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1.7.1 NTI Affiliates.

Current NTI Affiliates are set forth in Appendix I hereof.

1.7.2 NTI ASEAN Affiliates.

Current NTI ASEAN Affiliates are set forth in Appendix II hereof.

1.8. Corporation or Joint Venture.

Fibro-NTI Ltd., that entity created in the Republic of Turkey by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation's Business in the Territory.

1.9. Corporation's Business.

The Corporation's Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.10. Territory.

The Territory of Turkey and any other Territories as shall be agreed between the Parties.

1.11. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the Republic of Turkey for the Shareholders Joint Venture Agreement were obtained and the Corporation was duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

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1.12. NTI Intellectual Property Rights.

The Know-How, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

1.13. Know-How.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, both directly and through NTI Affiliates, which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.14. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality control which are required for utilization of the Process.

1.15. Process.

The procedure utilizing the Know-How for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

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1.16. Product.

Volatile Corrosion Inhibiting (“VCI”) materials incorporated in polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may also include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.17. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.18. Trademark.

The name and style “ZERUST”, the “Zerust People”, “EXCOR”, the NTI Logo and the Color Yellow as applied to Product, including trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions. NTI is the owner of the Trademark in the Jurisdictions cited hereof in Appendix III.

1.19. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Know-How, Materials, Process, Product and/or Masterbatch, together with information regarding technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates both in the Territory and elsewhere.

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1.20. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the Corporation’s Business over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation’s Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation’s Business, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation’s Business as “Other Agreed Upon Technologies” to be treated as set forth in this Shareholders Joint Venture Agreement and/or the Ancillary Agreements.

1.21. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm’s length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.22. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscriptor “At Cost”).

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1.23. Shareholder.

Any holder, from time to time, of Shares of the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.24. Shares.

Any validly issued shares of the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.25. Transfer of Shares.

Any sale, transfer, assignment, pledge or disposition of Shares of the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.26. Transferor of Shares.

A Shareholder who declares an intention to Transfer Shares of the Corporation and/or initiates the Transfer of Shares.

1.27. Transfer Price for Shares.

The price per share for the Shares of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

1.28. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Shares pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

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1.29. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

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**ARTICLE 2**  
**MUTUAL REPRESENTATIONS**

2.1. Representations of NTI

NTI hereby represents and warrants to Fibrobeton and Atagençer as follows:

- 2.1.1 Organization and Standing. NTI is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware, U.S.A.
- 2.1.2 Due Authorization. This Agreement and the Ancillary Agreements to be executed pursuant to this Agreement have been duly authorized by appropriate corporate action and the same are binding upon NTI in accordance with their respective terms.
- 2.1.3 No Violation of Other Agreements. By entering into this Agreement, NTI will not violate or cause a default to occur under any other agreements to which it is a party.
- 2.1.4 Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of NTI, threatened against NTI which would have a material effect upon NTI's ability to perform under this Agreement and the Ancillary Agreements.
- 2.1.5 Right to License. NTI is the owner of the NTI Intellectual Property Rights and is free to disclose and license the NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets to the Corporation for use in the Territory

2.2. Representations of Fibrobeton.

Fibrobeton hereby represents and warrants to NTI as follows:

- 2.2.1. Organization and Standing. Fibrobeton is a limited liability company duly organized, validly existing and is in good standing under the laws of the Republic of Turkey, where it has its principal place of business.

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- 2.2.2 Due Authorization. This Agreement and the Ancillary Agreements to be executed pursuant to this Agreement have been duly authorized by appropriate corporate action and the same are binding upon Fibrobeton in accordance with their respective terms.

- 2.2.3. No Violation of Other Agreements. By entering into this Agreement, Fibrobeton will not violate or cause a default to occur under any other agreements to which it is a party.

- 2.2.4. Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of Fibrobeton, threatened against Fibrobeton which would have a material effect upon Fibrobeton's ability to perform under this Agreement and the Ancillary Agreements.

2.3. Representations of Atagençer.

Atagençer hereby represents and warrants to NTI as follows:

- 2.3.1 Organization and Standing. Atagençer is a limited liability company duly organized, validly existing and is in good standing under the laws of the State of Ohio, where it has its principal place of business.

- 2.3.2. Due Authorization. This Agreement and the Ancillary Agreements to be executed pursuant to this Agreement have been duly authorized by appropriate corporate action and the same are binding upon Atagençer in accordance with their respective terms.

- 2.3.3. No Violation of Other Agreements. By entering into this Agreement, Atagençer will not violate or cause a default to occur under any other agreements to which it is a party.

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- 2.3.4. Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of Atagençer, threatened against Atagençer which

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**ARTICLE 3**  
**PURPOSES OF THE JOINT VENTURE**

3.1. Purposes of the Joint Venture.

The purposes of the Joint Venture are as follows:

- 3.1.1. To conduct the Corporation's Business for the benefit of the Parties;
- 3.1.2. To protect and preserve NTI Intellectual Property Rights together with NTI and/or NTI ASEAN Trade Secrets in the Territory under the terms of this Agreement and the Ancillary Agreements;
- 3.1.3. To manufacture, promote and sell Product in the Territory under the terms hereof and of the Ancillary Agreements;
- 3.1.4. To provide for the implementation of the Ancillary Agreements for the benefit of the respective Parties; and
- 3.1.5. To manufacture, promote and sell Other Agreed Upon Technologies in the Territory.

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**ARTICLE 4**  
**FORMATION OF JOINT VENTURE CORPORATION**

4.1. Formation of Corporation.

With the signing of this Agreement, the Parties have signified their agreement to the formation of a new entity in the form of a limited liability company under the laws of the Republic of Turkey. Implementation of the formalities for incorporating the Corporation is the responsibility of Fibrobeton. The Corporation's name shall be Fibro-NTI Ltd.. The Corporation's place of business shall be Karanfil Caddesi No: 27 1, Levent 80620 Istanbul, Turkey or at such other place as may be determined by the Parties.

4.2. Articles of Association.

A copy of the Articles of Association for the Corporation is attached hereto as Appendix IV. In case of any inconsistency between this Agreement and the Articles of Association, the provisions of this Agreement shall govern.

4.3. Capitalization.

The capital of Fibro-NTI Ltd. shall be subscribed for by the Parties at a price of \$2,000.00 per Share as follows:

Fibrobeton	-	25 Shares
Atagençer	-	25 Shares
NTI	-	50 Shares

The total capitalization for the Corporation shall consist of \$200,000.00 USD. \$100,000.00 paid by NTI and \$50,000.00 to be paid each by Fibrobeton and Atagençer.

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4.4. Payment for Shares by the Parties.

The Parties are to pay for their Shares in cash or by Note upon formation of the Corporation in accordance with the laws of the Republic of Turkey; and the Corporation shall issue all Shares subscribed hereunder in accordance with the terms hereof forthwith. NTI shall advance the sum of \$50,000.00 USD to Fibrobeton for the purchase of Fibrobeton's Shares and NTI shall advance the sum of \$50,000.00 USD to Atagençer for the purchase of Atagençer's Shares. Fibrobeton and Atagençer shall each execute Notes payable to NTI for such advances, which Notes shall incorporate reasonable terms, including reasonable interest rates, for the repayment thereof to NTI, within a reasonable time frame.

4.5. Parallel Rights to Subscribe for Additional Shares.

If additional Shares are thereafter to be issued by the Corporation, its Shareholders shall have the right to purchase such additional Shares in the same proportion as their holdings of Shares at the time of the issuance thereof.

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**ARTICLE 5**  
**PURPOSE, EXECUTION AND INCORPORATION OF**  
**ANCILLARY AGREEMENTS HEREIN**

5.1. Execution of Ancillary Agreements.

In furtherance of the Corporation's Business, the Parties and the Corporation shall enter into various Agreements (herein "Ancillary Agreements") which shall also be effective as of the Effective Date. Such Ancillary Agreements and the designated Parties thereto are as follows:

- 5.1.1.a. Management Agreement between Fibrobeton and the Corporation ("Management Agreement");
- 5.1.1.b. Sales Representation Agreement between Atagençer and the Corporation ("Sales Representation Agreement");
- 5.1.2. License Agreement between NTI and the Corporation ("License Agreement"); and
- 5.1.3. Technical Assistance and Marketing Support Agreement between NTI and the Corporation ("Technical Assistance Agreement").

5.2 Ancillary Agreements Incorporated Herein and Made Part Hereof.

The Ancillary Agreements shall be incorporated herein and made a part hereof.

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**ARTICLE 6**  
**ELECTION OF DIRECTORS AND DESIGNATION OF**  
**THE CEO OF THE CORPORATION**

6.1. Election of Directors.

The Corporation shall have a Board of Directors consisting of five Directors. NTI and Fibrobeton shall each have the right to designate two Directors. NTI and Fibrobeton, as Shareholders of the Corporation, agree that at meetings of Shareholders they shall cast their entire vote in favor of any person(s) designated by the other as Directors or Substitute Directors (as hereinafter defined) to fill their pro rata share of Director positions in accordance with the provisions hereof. Mehmet Gençer ad personam shall serve as the fifth Director of the Corporation.

6.2. Substitute Directors.

A Party shall have the right to designate a Substitute Director ("Substitute Director") in the event that a Director previously designated by it shall resign, retire, die, or otherwise be unable or unavailable to serve.

6.3. Designation of Chief Executive Officer of the Corporation.

One of the Directors designated by Fibrobeton shall be the Chief Executive Officer ("CEO") of the Corporation, whose responsibility and authority shall be to implement this Agreement, the Ancillary Agreements, the Articles of Association, and such resolutions as may be passed from time to time by the Board of Directors of the Corporation. Designation of the Chief Executive Officer by Fibrobeton shall, however, be subject to the approval of NTI, which approval shall not be unreasonably withheld. NTI hereby approves the appointment of Dundar Yetisener as the first Chief Executive Officer of the Corporation.

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**ARTICLE 7**  
**RESPONSIBILITIES AND DUTIES OF THE PARTIES**

7.1. Responsibilities of the Parties.

It shall be the responsibility of all Parties to effect the Purposes of the Shareholders Joint Venture Agreement pursuant to Article 3 hereof.

7.2. Specific Responsibilities and Duties of Individual Parties.

Specific responsibilities and duties which are to be fulfilled by individual Parties to the Shareholders Joint Venture Agreement are set forth in the Ancillary Agreements.

7.3. Actions Requiring Consent of All Parties.

In addition to other provisions of the Shareholders Joint Venture Agreement and/or the Ancillary Agreements requiring the consent or approval of all the Parties, the unanimous specific written consent of each Party hereto shall be required before the Corporation may take any of the following actions:

- 7.3.1. Establish annual operating budgets for the Corporation which the Chief Executive Officer of the Corporation shall prepare and submit no later than June 30 of each year for the following fiscal year;
- 7.3.2. Determine the amount of funds to be allocated to the purchase of Masterbatch, Product, or goods and services for Other Agreed Upon Technologies;
- 7.3.3. Sell, assign, transfer, exchange or otherwise dispose of any assets of the Corporation, other than in the ordinary course of business;
- 7.3.4. Mortgage, pledge, encumber or hypothecate any of the assets of the Corporation;

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7.3.5. Change the Corporation's independent chartered or certified public accountants after the same have been appointed by the mutual consent of the parties;

7.3.6. Change or allow a change in the accounting procedures employed in maintaining the Corporation's books of account or in preparing financial

statements with respect to the operations of the Corporation or the Corporation's Business;

- 7.3.7. Obligate the Corporation as a surety, guarantor or accommodation party to any obligation, lend funds belonging to the Corporation to any third party, or extend credit to any person, firm or entity, on behalf of the Corporation, other than in the ordinary course of business;
- 7.3.8. File material litigation against third parties on behalf of the Corporation or confess judgment on behalf of the Corporation;
- 7.3.9. Amend the Articles of Association of the Corporation;
- 7.3.10. Cause the Corporation to issue any common shares or any debt securities or to increase its capitalization;
- 7.3.11. Borrow any money on behalf of the Corporation requiring a mortgage or other form of security in favor of the lender, except that a security interest in inventory and receivables authorized by the Chief Executive Officer of the Corporation in the ordinary course of business shall be permissible;
- 7.3.12. Cause the Corporation to merge or consolidate with or into any other legal entity or acquire any other legal entity;
- 7.3.13. Cause the Corporation to dissolve or to liquidate;
- 7.3.14. Cause the Corporation to engage in any business activity which is outside the scope of the Corporation's Business;

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- 7.3.15. Form any subsidiary or other legal entity;
  - 7.3.16. Cause the Corporation to enter into a transaction or business relationship with any of the Parties hereto, other than as may be expressly provided for by this Agreement and/or the Ancillary Agreements, other than on an arm's-length basis, and on prices and terms no more favorable to the Party than could have been obtained from an independent third party;
  - 7.3.17. Establish pricing, discount structures, and terms of trade for Product or Other Agreed Upon Technologies in the Territory;
  - 7.3.18. Sell, license or otherwise convey NTI Intellectual Property Rights or NTI and/or NTI ASEAN Trade Secrets, or any right thereto deriving from the Shareholders Joint Venture Agreement or the Ancillary Agreements, to any third party;
  - 7.3.19. Engage or dismiss the Chief Executive Officer and other key employees of the Corporation and/or fix compensation for such personnel, including bonuses and perquisites; and
  - 7.3.20. Acquire fixed assets for and on behalf of the Corporation.

#### 7.4. Special Resolutions.

Upon reaching unanimous agreement as to the actions set forth in Article 7.3, hereof, the Parties shall vote their shares to adopt any special resolutions to implement same as may be required by the laws of the Republic of Turkey.

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### **ARTICLE 8** **DEVELOPMENT OF THE CORPORATION'S AGENTS**

#### 8.1. Development of Corporation's Agents.

Depending on the development of business and within the judgment of the Board of Directors, the Corporation may engage its own Agents (as hereinafter defined) to assist the Chief Executive Officer in the performance of his duties and responsibilities, and to implement actions taken by the Parties in performance of their duties and responsibilities hereunder and as set forth in the Ancillary Agreements.

#### 8.2. Implementation of Corporate Governance Policies Appropriate to the Territory.

Fibroboton shall be responsible to ensure that Corporate Governance Policies appropriate to the Territory, including but not limited to Human Relations, Compensation, Terms of Employment, Taxation and Employee Benefits, are implemented and maintained by the Corporation with respect to all Agents (as hereinafter defined), third party providers to the Corporation, and other individuals and entities which now have or which come to have a commercial or financial relationship of any nature with the Corporation.

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### **ARTICLE 9** **PAYMENTS TO RELATED PARTIES FOR SERVICES**

#### 9.1. Payments to Related Parties for Services Performed with Respect to Product in the Ordinary Course of Business.

Payments shall be made to the Parties for services performed in the normal course of business as the result of cash generated from Net Sales of Product in accordance with this Agreement and the Ancillary Agreements. An aggregate amount equal to 30% of Net Sales of Product shall be paid to Fibroboton, Atagencer and NTI as follows:

- 9.1.1.a. Fibroboton shall receive 7.5% of Net Sales of Product as its total compensation for services to be rendered to the Corporation pursuant to the Management Agreement referred to in Article 5 hereof;
- 9.1.1.b. Atagencer shall receive 7.5% of Net Sales of Product as its total compensation for services to be rendered to the Corporation pursuant to the

Sales Representation Agreement referred to in Article 5 hereof;

9.1.2. NTI shall receive 7.5% of Net Sales of Product as its total compensation pursuant to the License Agreement referred to in Article 5 hereof; and

9.1.3. NTI shall receive 7.5% of Net Sales of Product as its total compensation for services to be rendered pursuant to the Technical Assistance Agreement referred to in Article 5 hereof. The Corporation may, however, elect to draw upon other NTI Affiliates for certain services, on a case-by-case basis, upon prior consultation with and receipt of written agreement from NTI, and in such event, the costs of such services performed by an NTI Affiliate shall be deducted from the 7.5% due NTI pursuant to the Technical Assistance Agreement.

9.2. Payments to Related Parties for Services Performed with Respect to Other Agreed Upon Technologies in the Ordinary Course of Business.

Compensation to the Parties with respect to Other Agreed Upon Technologies shall be determined on a case-by-case basis, as specific opportunities to add Other Agreed Upon Technologies to the scope of the Corporation's Business may arise. It is the intent of the Parties, however, to share joint responsibility for the proper commercial and technical development of Other Agreed Upon Technologies in the Territory; and in general, each Party to this Agreement shall be responsible to perform substantially the same set of functions with respect to Other Agreed Upon Technologies that such Party does with respect to Product. It shall therefore be a general precept of this Agreement that compensation to the Parties for services rendered with respect to Other Agreed Upon Technologies shall be equal, as a percentage of Net Sales of Other Agreed Upon Technologies, to the percentage of Net Sales of Product payable to each Party, respectively, for Each Party's services with respect to Product, reflecting the even contributions of each Party, and shall be allocated within the format of the Ancillary Agreements.

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9.3. Payments to Related Parties for Services Related to Special Programs for Promotion and Development.

After the payments and distributions referred to in Articles 9.1 and 9.2 have been made to the Parties, the Parties may determine that additional Special Programs for Promotion and Development ("Special Programs") may be necessary, desirable or appropriate in any given fiscal year to accelerate the pace or redirect the progression and evolution of the Corporation. In such event, upon prior unanimous approval by the Parties, additional funds may be allocated by the Corporation for Special Programs to be conducted by the Parties, which shall comport joint responsibility in accordance with the percentage allocations set forth in Article 9.1 and 9.2 hereof.

9.4. Limitation of Compensation to Related Parties.

Except as otherwise provided in this Agreement and the Ancillary Agreements, all financial transactions between the Corporation and the Parties other than as set forth in Article 9 hereof shall be At Cost.

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**ARTICLE 10**  
**COVERAGE OF FINANCIAL**  
**SHORTFALLS BY THE PARTIES**

10.1. Coverage of Financial Shortfalls by the Parties.

In the event that there shall be a shortfall in any given fiscal year, then this shortfall shall be borne by Fibrobeton, Atagençer and NTI in proportion to their respective Shareholdings of the Corporation; but no Party shall have any obligation to cover shortfalls beyond the point that the equity of the Corporation shall be exhausted. The Parties may, however, in the sole discretion of each, elect to provide financial support over and above their equity in the Corporation.

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**ARTICLE 11**  
**FINANCIAL BOOKS AND RECORDS – BANKING**

11.1. Fiscal Year.

The fiscal year of the Corporation shall commence every year on September 1 and end on August 31 of the next year. The books of accounts shall be closed at the end of each fiscal year, and audited statements shall be prepared by a recognized firm of chartered or certified public accountants showing the financial condition of the Corporation and the results of its operations for such fiscal year. Copies of the audited annual statements and unaudited monthly and/or quarterly statements shall be provided to each of the Parties.

11.2. Access to Books and Records.

The Corporation's financial books, records and statements of account shall be kept at the principal place of business of the Corporation, and each Party shall have the right at all reasonable times to inspect and copy same.

11.3. Bank Accounts.

All of the Corporation's funds shall be deposited in its name in such bank account or accounts as shall be designated from time to time by the Board of Directors. Withdrawals from such account or accounts shall be made by checks or other appropriate instruments signed by the Chief Executive Officer and such other officers or persons as the Board of Directors shall from time to time duly designate.

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**ARTICLE 12**  
**INSURANCE**

12.1. Independent Insurance Coverage.

The Parties shall cause the Corporation to obtain and to maintain property damage, product liability, public liability and other liability, casualty, and general insurance for the Corporation's Business, as deemed adequate for the proper conduct of the Corporation's Business in the Territory. In the event that insurance is provided by means of an amendment or rider to existing insurance maintained by any of the Parties, then the cost thereof, to the extent that the basic insurance cost of such party is thereby increased, shall be borne by and paid for by the Corporation.

12.2. Inclusion of the Corporation as a Named Insured Under the Insurance Coverage of a Party.

To the extent possible, each Party shall include the Corporation as a named insured under its own insurance coverage:

- 12.2.1. NTI shall notify NTI's product liability insurance carrier that the Corporation will be importing Materials and Masterbatch from NTI to manufacture and sell Product under the Trademark utilizing NTI and/or NTI ASEAN Trade Secrets and NTI Intellectual Property Rights in the Territory. A Summary of NTI Product Liability and other insurance coverage as it may be extended by the Corporation is attached hereto as Appendix V; and any material change thereto shall be reported forthwith to Fibrobeton and Atagençer and
- 12.2.2. Fibrobeton shall notify its insurer of the scope of activities and responsibilities it shall carry out for the Corporation, both under the Joint Venture Agreement, and under the applicable Ancillary Agreements. A Summary of Fibrobeton's Product Liability and other insurance coverage as it may be extended to the Corporation is attached hereto as Appendix VI; and any material change thereto shall be reported forthwith to NTI.

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**ARTICLE 13**  
**PROTECTION OF NTI AND/OR NTI ASEAN TRADE SECRETS**

13.1. Recognition of NTI and/or NTI ASEAN Trade Secrets.

Fibrobeton and Atagençer each acknowledge and agree that (i) NTI Intellectual Property Rights; (ii) NTI and/or NTI ASEAN Trade Secrets; (iii) the Know-How, Materials, Process, Product and Masterbatch and (iv) other information deemed confidential by NTI and NTI ASEAN and designated herein and hereafter relating to the business of NTI and/or NTI ASEAN, of the Corporation, and of NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are also included within the definition of NTI and/or NTI ASEAN Trade Secrets set forth in Article 1.20 hereof and constitute valuable property rights of NTI, NTI ASEAN and NTI and/or NTI ASEAN Affiliates.

13.2. Protection of NTI and/or NTI ASEAN Trade Secrets.

Fibrobeton and Atagençer each agree that during the term of this Agreement, as well as following its termination and for all times thereafter, they each shall keep secret and confidential all NTI and/or NTI ASEAN Trade Secrets which they or either of them now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and the Ancillary Agreements. NTI and/or NTI ASEAN Trade Secrets shall not be disclosed by Fibrobeton or Atagençer to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of Fibrobeton and/or Atagençer, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI and/or NTI ASEAN Trade Secret shall be in the public domain as the result of an act by Fibrobeton and/or Atagençer or any Agent thereof (as hereinafter defined), then Fibrobeton and/or Atagençer shall nevertheless continue to keep such NTI and/or NTI ASEAN Trade Secret secret and inviolate.

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13.3. Protection of NTI and/or NTI ASEAN Trade Secrets by Agents of Fibrobeton and Atagençer.

Neither Fibrobeton nor Atagençer, nor their respective Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without NTI or NTI ASEAN's prior written consent, the originals or copies of any NTI and/or NTI ASEAN Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI and/or NTI ASEAN or the Corporation.

- 13.3.1. Insofar as the officers, employees and consultants of Fibrobeton, Atagençer and/or the Corporation, (herein collectively "Agents") who come in contact with NTI and/or NTI ASEAN Trade Secrets are concerned, Fibrobeton and Atagençer shall cause each of its respective Agents to enter into NTI and/or NTI ASEAN Trade Secrecy Agreements substantially in the form of Appendix VII to this Agreement. Fibrobeton and Atagençer shall each exert their best efforts to cause their respective Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI and/or NTI ASEAN Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.
- 13.3.2. The Parties hereby agree and acknowledge that both NTI and NTI ASEAN are intended third party beneficiaries of the NTI and/or NTI ASEAN Trade Secrecy Agreements, and that NTI and/or NTI ASEAN may in the sole discretion of each, on their own behalf or derivatively and/or on behalf of the Corporation, directly enforce the provisions of the NTI and/or NTI ASEAN Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 13.3.1. hereof) and/or Submanufacturers (as defined in Article 7.3.1(i) of the License Agreement and Article 7.3.1(i) of the Technical Assistance Agreement) who have executed same.

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13.4. Remedies in the Event of a Violation of Article 13 Hereof.

It is understood and recognized by Fibrobeton and Atagençer each that in the event of any violation by either Fibrobeton or Atagençer or their respective Agents of the provisions of Article 13 hereof, NTI and/or NTI ASEAN's remedy at law will be inadequate and NTI and/or NTI ASEAN will suffer irreparable injury. Accordingly, Fibrobeton and Atagençer each consent to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and/or NTI ASEAN and in any court of competent jurisdiction to protect NTI and/or NTI ASEAN Trade Secrets. Such relief shall be in addition to any other relief to which NTI and/or NTI ASEAN may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement in respect of either Fibrobeton or Atagençer, or both, in the event of a violation of the provisions of Article 13 hereof.

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**ARTICLE 14**  
**PROTECTION OF FIBROBETON AND/OR ATAGENÇER TRADE SECRETS**

14.1. Identification of Fibrobeton and/or Atagençer Trade Secrets.

The Parties acknowledge that it is not intended that Fibrobeton or Atagençer impart their technology or trade secrets to the Corporation or, through the Corporation, to NTI. The Parties recognize, however, that Fibrobeton and/or Atagençer may impart information to the Corporation to further the Corporation's Business, which Fibrobeton and/or Atagençer consider to be proprietary in nature and thus wishes to be kept confidential, and that such "Fibrobeton Trade Secrets" and/or "Atagençer Trade Secrets" may come to be imparted to NTI through the Corporation. In order for such information to be considered under the category of Fibrobeton Trade Secrets or Atagençer Trade Secrets, Fibrobeton and/or Atagençer must alert the Corporation and NTI to the fact that either of them intends to impart information either considers proprietary to the Corporation, in writing, in advance of imparting such information, and clearly identify such information as a Fibrobeton Trade Secret or an Atagençer Trade Secret.

14.2. Protection of Fibrobeton and/or Atagençer Trade Secrets.

NTI agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all Fibrobeton Trade Secrets and/or Atagençer Trade Secrets which it now knows or may hereafter come to know as a result of this Shareholders Joint Venture Agreement and the Ancillary Agreements. Neither Fibrobeton Trade Secrets nor Atagençer Trade Secrets shall be disclosed by NTI to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of NTI, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a Fibrobeton Trade Secret or an Atagençer Trade Secret shall be in the public domain as the result of an act by NTI or any Agent thereof, then NTI shall nevertheless continue to keep such Fibrobeton Trade Secrets and/or Atagençer Trade Secrets secret and inviolate.

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14.3. Protection of Fibrobeton Trade Secrets and Atagençer Trade Secrets by Agents of NTI.

Neither NTI, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without Fibrobeton's prior written consent, the originals or copies of any Fibrobeton Trade Secrets. Equally, neither NTI, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without Atagençer's prior written consent, the originals or copies of any Atagençer Trade Secrets.

14.3.1. Insofar as the officers, employees and consultants of NTI (herein collectively "Agents") who come in contact with Fibrobeton Trade Secrets and/or Atagençer Trade Secrets are concerned, NTI shall cause such Agents to enter into Fibrobeton Trade Secrecy Agreements respectively Atagençer Trade Secrecy Agreements substantially in the form of Appendix VIII to this Agreement. NTI shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Fibrobeton Trade Secrecy Agreements and the Atagençer Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation against such Agents if such be necessary and desirable.

14.3.2. The Parties hereby agree and acknowledge that Fibrobeton and/or Atagençer are each intended third party beneficiaries of their respective Fibrobeton Trade Secrecy Agreements and/or Atagençer Trade Secrecy Agreements, and that Fibrobeton and/or Atagençer may in their respective sole discretion, on their own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the Fibrobeton Trade Secrecy Agreements and/or the Atagençer Trade Secrecy Agreements and/or any breach thereof against any and all Agents of NTI (as defined in Article 14.3.1 hereof) who have executed same.

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14.4. Remedies in the Event of a Violation of Article 14 Hereof.

It is understood and recognized by NTI that in the event of any violation by NTI and/or its Agents of the provisions of Article 14 hereof, Fibrobeton's respectively Atagençer's remedy at law will be inadequate and Fibrobeton respectively Atagençer will suffer irreparable injury. Accordingly, NTI consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings against NTI for a violation by NTI directly of the provisions of this Article 14 therefor by Fibrobeton respectively Atagençer in any court of competent jurisdiction to protect Fibrobeton Trade Secrets and/or Atagençer Trade Secrets. Such relief shall be in addition to any other relief to which Fibrobeton and/or Atagençer may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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**ARTICLE 15**  
**COVENANT TO OBSERVE THE**  
**DOCTRINE OF "CORPORATE OPPORTUNITY"**

15.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Shareholders Joint Venture Agreement and to the Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development and implementation of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under this Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or Other Agreed Upon Technologies and/or the application of NTI Intellectual Property Rights in the Territory ("Corporate Opportunity").

15.2. Agreement Not to Divert Resources.

Fibrobeton, Atagençer and NTI each agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory. During said term no Party hereto shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Agreement is terminated: (i) because of a material Breach of this Shareholders Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 17 hereof; (iv) pursuant to Article 18 hereof; or (v) upon a Breach of Articles 13, 14 or 15 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Articles 13, 14 and 15 of this Shareholders Joint Venture Agreement for a period of three years following the date of termination, but neither Fibrobeton nor Atagençer shall at any time be permitted to use NTI and/or NTI ASEAN Trade Secrets, and NTI and/or NTI ASEAN shall at no time be permitted to use Fibrobeton Trade Secrets, as the case may be, for any activity outside the Corporation, including but not limited to such activities which would have the effect of diverting resources from the Corporation.

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15.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 15 hereof by a Party, the remedy at law will be inadequate and that the other Party or Parties to this Shareholders Joint Venture Agreement shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party or Parties. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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**ARTICLE 16**  
**GRANT OF RIGHT AND LICENSE BY FIBROBETON AND**  
**ATAGENÇER TO NTI**  
**CONCERNING IMPROVEMENTS FIBROBETON AND/OR ATAGENÇER**  
**MAY ACQUIRE TO**  
**NTI INTELLECTUAL PROPERTY RIGHTS**

16.1. Disclosure to NTI of Improvements to NTI Intellectual Property Rights by Fibrobeton and Atagençer each.

Fibrobeton and Atagençer each agree to disclose promptly to NTI any improvements in or from the Territory or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by either Fibrobeton or Atagençer or which are made by or through their respective efforts in the Territory or arising from the Territory, without any obligation by NTI to make payment therefor.

16.2. Grant of Right and License to NTI.

Fibrobeton and/or Atagençer hereby grant to NTI an exclusive, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and know-how owned, controlled, acquired or which may otherwise be transferred or granted to Fibrobeton and/or Atagençer in, from or through their operations in the Territory during the term of this Agreement to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements in and modifications to NTI Intellectual Property Rights together with the Know-How, Materials, Process, Product and/or Masterbatch and/or to sublicense third parties to do the same.

16.3. Obligations of Fibrobeton and/or Atagençer Concerning the Filing of New Patents.

Fibrobeton and Atagençer each agree that at NTI's request and at NTI's cost either of them will promptly file and diligently prosecute applications for letters patent in NTI's name on any and all patentable improvements to NTI Intellectual Property Rights coming into their respective purview in or from the Territory. Fibrobeton and Atagençer each further agree, upon NTI's request and at NTI's cost, that either of them will promptly file and diligently prosecute corresponding patent applications in NTI's name in such other countries as are designated by NTI.

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16.4. Review of Potentially Infringing Technology.

In the event that Fibrobeton and/or Atagençer shall learn of any technology, processes or patents developed or owned by third parties in the Territory which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then Fibrobeton and/or Atagençer, as the case may be, shall forthwith provide NTI with whatever information either of them may have with respect thereto. NTI will then consult with Fibrobeton and Atagençer as to:

- 16.4.1. Taking appropriate legal action against such third party for infringement of NTI Intellectual Property Rights together with NTI and/or NTI ASEAN Trade Secrets; and/or

- 16.4.2. Purchasing, licensing or otherwise acquiring rights to such technology, processes or patents of such third parties, in which event such rights as are acquired shall be extended to NTI pursuant to Article 16.2 hereof. Based upon their joint decision, each Party shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

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**ARTICLE 17**  
**TERM OF AGREEMENT**

17.1. Indefinite Term.

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

17.2. Termination.

This Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 17.2.1. Terminated by either Party in accordance with the provisions of Articles 13, 14 and/or 15 hereof;
- 17.2.2. Terminated in accordance with Article 17.3 and/or Article 17.4 hereof;
- 17.2.3. Terminated by either Party by reason of a material Breach or Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 18 hereof; or
- 17.2.4. Terminated automatically, in conjunction with the termination of any of the Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Ancillary Agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

17.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

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17.4. Termination Upon Bankruptcy or Insolvency.

If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

- 17.4.1. Payments due under this Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- 17.4.2. Payments due under this Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and
- 17.4.3. All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

17.5. Payment of Amounts Due.

In the event of termination of this Agreement, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

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17.6. Cooperation Upon Termination.

Upon termination of this Agreement, Fibrobeton and Atagençer shall cooperate with NTI in transferring NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets, to NTI, or its designated assignee; NTI and Atagençer shall cooperate with Fibrobeton in transferring Fibrobeton Trade Secrets to Fibrobeton or its designated assignee; and NTI and Fibrobeton shall cooperate with Atagençer in transferring Atagençer Trade Secrets to Atagençer or its designated assignee.

17.7. Non-Release of Obligations.

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Articles 13 and 14, upon termination of this Agreement, NTI Intellectual Property Rights, together with NTI

and/or NTI ASEAN Trade Secrets, Fibrobeton Trade Secrets and Atagençer Trade Secrets shall continue to be kept secret and confidential by each other Party hereto.

17.8. Cessation of Rights Upon Termination.

Upon the termination of this Agreement for reason of Default or Breach of this Agreement or of an Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have had under or pursuant to this Agreement (except with respect to Article 13, 14 and 15 hereof) shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 19 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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17.9. Liquidation of the Corporation and Wind-up of the Corporation's Business Upon Termination.

Upon termination of this Agreement:

17.9.1. The Corporation shall be liquidated forthwith; and, following payment of all known just obligations of the Corporation, and establishment of a reasonable reserve to pay such just obligations of the Corporation as are unknown at the time of liquidation of the Corporation, the remaining assets shall be divided in accordance with their shares between the Parties pursuant to an independent valuation thereof by the outside auditors of the Corporation or, in the event Arbitration has been invoked in accordance with Article 19 hereof, by the arbitration panel. Notwithstanding the foregoing:

(i) Fibrobeton Trade Secrets, as defined in Article 14 hereof, shall not constitute an asset of the Corporation upon termination of this Agreement, but rather shall revert to Fibrobeton in accordance with Article 17.6. hereof;

(ii) Atagençer Trade Secrets, as defined in Article 14 hereof, shall not constitute an asset of the Corporation upon termination of this Agreement, but rather shall revert to Atagençer in accordance with Article 17.6. hereof; and

(iii) NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets, as defined in Article 13 hereof, shall not constitute an asset of the Corporation upon termination of this Agreement, but rather shall revert to NTI and/or NTI ASEAN in accordance with Article 17.6. hereof.

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17.9.2. The Corporation's Business shall be wound up forthwith; and no further orders shall be accepted by the Corporation for Product or for Other Agreed Upon Technologies, provided that orders for Product and/or Other Agreed Upon Technologies which were received by the Corporation prior to termination of this Agreement shall be filled by the Corporation either out of its own existing inventory and/or its own manufacturing capabilities, or through imports from NTI or an NTI or NTI ASEAN Affiliate, as appropriate.

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**ARTICLE 18**  
**DEFAULT**

18.1. Event of Default.

A Default ("Default") hereunder shall exist in the event of:

18.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or

18.1.2. A material Breach ("Breach") of any provision of this Shareholders Joint Venture Agreement other than Articles 13, 14 and/or 15 hereof, or any of the Ancillary Agreements; and/or

18.1.3. A Breach of Articles 13, 14 and/or 15 hereof.

18.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

18.2.1. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party; provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of its other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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18.2.2. Notwithstanding the foregoing, in the event of a violation of Articles 13, 14 and/or 15 hereof by a Party hereto, the other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 13, 14 and/or 15 hereof as provided herein.

18.3. Non-Waiver of Rights.

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 18.1 or 18.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 18.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 19**  
**DISPUTE RESOLUTION**

19.1. Dispute Resolution by Arbitration.

Any and all disputes; except as excluded under Article 19.2 hereof, which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Corporation, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including, but not limited to, the following:

19.1.1. A dispute as to whether a Default exists;

19.1.2. A dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;

19.1.3. A dispute as to the validity of this Article 19;

19.1.4. A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;

19.1.5. A dispute as to the rights, obligations or liabilities of the Parties hereunder.

19.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Agreement, Arbitration may not be invoked if a Party violates the provisions of this Agreement relating to NTI Intellectual Property Rights, NTI and/or NTI ASEAN Trade Secrets, Fibrobeton Trade Secrets or Corporate Opportunity. In such event, the remedies set forth in Articles 13, 14, 15 and/or 18 hereof shall apply.

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19.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Bruxelles or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Agreement, the laws of the Republic of Turkey shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

19.4. Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this Agreement or any of the Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

19.5. Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**ARTICLE 20**  
**PROSCRIPTION OF AUTHORITY**  
**OF THE PARTIES TO BIND EACH OTHER**

Nothing contained in this Agreement shall be construed to constitute the Parties as agents for one another or to render any Party liable for any debts, liabilities or obligations of the other ("Indebtedness"). It is understood that such Indebtedness, if incurred, is outside the scope of this Agreement and the Ancillary Agreements. No Party shall have the authority to extend or to utilize the credit of the other, to extend credit in the other Party's name, or to represent that it is authorized to do so without the express written consent of the other. In the event that a creditor of a Party shall assert a claim against that Party based on such Indebtedness, then the Party who in fact is obligated thereon shall indemnify and hold the other Party harmless from and against any losses, claims or liabilities by reason thereof.

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**ARTICLE 21**  
**RECIPROCAL INDEMNIFICATION**

Each Party shall indemnify and hold the other and the Corporation harmless from and against any and all claims, demands, actions, rights of action, damages, costs and expenses which shall or may arise by virtue of anything done or omitted to be done by the indemnifying Party (or through or by its Agents) in breach of the terms of this Agreement. The indemnifying Party shall be notified promptly of the existence of the claims, demands, actions or rights of action and shall be given reasonable opportunity to defend same in which defense the Party to be indemnified shall cooperate. If the indemnifying Party fails forthwith upon notice to assume such defense, then the Party to be indemnified may proceed with the defense thereof including settlement, in which case the indemnifying Party shall bear the costs of defense including attorneys' fees and shall pay the amount of any judgment or settlement.

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**ARTICLE 22**  
**TRANSFER OF SHARES**

22.1. Restrictions on Transfer of Shares.

Following the initial issuance of Shares of the Corporation pursuant to Article 4 hereof, no Shareholder shall Transfer any Shares or any right, title or interest herein owned or held by it except and only in strict accordance with the terms and subject to the restrictions, rights, obligations and options hereinafter set forth. Neither the Corporation, nor Fibrobeton nor Atagençer nor NTI shall be under any obligation to recognize as holder of Shares, or Transferee of any of a Shareholder's Shares which were transferred to such Transferee, other than in strict compliance with the terms and provisions of this Agreement and, unless so complied with, any such Transferee of such Shares shall have no rights as a Shareholder of the Corporation with respect of such Shares.

22.2. Right of First Refusal to Acquire Shares.

Any Shareholder receiving a bona fide offer ("Offer") for the purchase of its Shares, and who wishes to Transfer such Shares to a proposed Transferee in accordance with such Offer shall, prior to making any Transfer of Shares, give written notice (hereinafter called "Notice") thereof to the Corporation and to the other Shareholders. Such Notice shall enclose a copy of the offer and shall set forth the name and address of the proposed Transferee, the selling price, the terms of payment, and all other significant terms and conditions relating thereto. The proposed Transferor of Shares shall furnish to the Corporation and to the other Shareholders such additional information concerning the prospective Transfer of Shares and/or Transferee as any of them may reasonably request. In order that the other Shareholders may be better able to determine the compatibility of the proposed Transferee as a Shareholder of the Corporation, the proposed Transferor of Shares shall arrange for the other Shareholders, if so requested, to be introduced to the proposed Transferee and to have discussions with same. For a period of forty-five (45) days following the receipt of said Notice of Offer, the other Shareholders shall have the right of first refusal to purchase any or all of the Shares specified in the Notice at the terms set forth therein, in proportion to their shareholdings at the time such Notice of Offer is issued.

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22.3. Exercise of Right to Acquire Shares.

The foregoing right of first refusal shall be exercisable by written notice to the prospective Transferor of Shares within the forty five (45) day period aforesaid and the exercise of said right shall be effective upon receipt of the written notice by said Transferor of Shares. If the right of first refusal is exercised, the purchase and sale shall be closed at the offices of the Corporation or at such other place as agreed within ten (10) days after the expiration of the period for exercise thereof on the terms and conditions set forth in the Notice of Offer. The Transferor of Shares at the time of sale shall represent and warrant that upon any Transfer of Shares, whether to the proposed Transferee or to an existing Shareholder or Shareholders, such Transferee or existing Shareholder(s) shall be the sole owner of such Shares free and clear of any and all liens, encumbrances, equities or restrictions of any nature whatsoever, except that any future Shareholder(s) shall also become subject to the provisions of this Agreement.

22.4. Sale of Shares to a Third Party.

If the other Shareholders do not accept the offer of the Shares made as hereinabove required within the time period hereinabove provided, in writing, the Transferor of Shares may then for a period of sixty (60) days following the expiration of such time period transfer all of the Shares specified in the Notice in accordance with the terms and conditions therein set forth; provided that the Transferee shall have joined in this Agreement by instrument in form and substance satisfactory to the remaining Shareholders and shall thereupon be bound as a Shareholder. The Parties agree that if Shares are to be sold to a third party in accordance with the provisions of this Article 22.4, they shall call a meeting of the Shareholders of the Corporation and at such meeting shall approve the sale to such third party upon the terms herein provided.

22.5. Shares Transferred to a Third Party Subject to Restrictions.

Shares transferred to a third party and Shares not so transferred within the sixty (60) day period referred to in Article 22.4 hereof shall again be subject to all of the terms, conditions and restrictions of this Agreement. Unless the other Shareholders shall so agree in writing, Shares may not be transferred to the third party if the terms and conditions under which the Transferor of Shares intends to consummate the Transfer of Shares differ in any material way from the terms and conditions set forth in the Notice.

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22.6. Attempted Transfer of Shares in Violation of this Agreement.

In the event of any act of Transfer of Shares in violation of the terms of this Agreement, the Corporation shall continue to recognize only the Shareholder of record as the bona fide owner of such Shares and as having any rights therein and the purported Transferee of such Shares shall not be entitled to vote such Shares, receive any dividends or other distribution in respect thereof or exercise any other rights in relation thereto. Moreover, the non-transferring Shareholders shall have the right to vote the Shares of the purported Transferor of Shares in proportion to their respective shareholdings until such time as the purported Transfer of Shares has been rescinded. This Article 22.6 shall not be construed as limiting any remedy which any Shareholder may have under law upon any Transfer of Shares subject to this Agreement which is attempted in violation of this Agreement.

22.7. Permitted Transfer of Shares.

Notwithstanding anything to the contrary contained in this Agreement, any Shareholder shall have the right, without regard to or compliance with any of the provisions of Article 22 hereof, to transfer any Shares owned by it to any corporation or entity which controls, is controlled by, or is under common control with such Shareholder without first obtaining the consent to such Transfer of Shares by the other Shareholder. Upon such Transfer of Shares the Transferee shall join in this Agreement and be bound as a Shareholder to all of the provisions hereof. Any Transfer of Shares permitted by this Article 22.7 shall also be subject to the provisions of Article 23.1 hereof, and shall only be made in accordance with the laws of the Republic of Turkey.

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22.8. Pledge of Shares Subject to this Agreement.

Any pledge of Shares by a Shareholder for any of its obligations shall be subject to the provisions of this Agreement.

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**ARTICLE 23**  
**GENERAL PROVISIONS**

23.1. Benefit of Parties.

All of the terms and provisions of this Shareholders Joint Venture Agreement and of the Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of such Party's rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

23.2. Counterparts.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

23.3. Cooperation.

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Shareholders Joint Venture Agreement and of the Ancillary Agreements and to carry out the true intent and purposes thereof.

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23.4. Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks, ("Defined Terms") shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

23.5. Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Party hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

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23.6. Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then the other Parties shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the Party invoking "Force Majeure", provided that the force majeure event continues to be in effect as of the date that such notice is given.

23.7. Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage

prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

If to Fibrobeton, to: Fibrobeton Precast Concrete Ltd.  
Attention: Dundar Yetisener  
Elemanari Sanaye Insaat  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul  
Turkey

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If to Atagençer, to: Atagençer, LLC  
Attention Dr. Mehmet Gençer  
10988 Tanager Trail  
Brecksville, OH 44141  
Tel: 440-838-4543  
Fax: 440-838-4584

If to NTI, to: Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-651-784-2902

Copy to: Northern Technologies International Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

23.8. Entire Agreement.

This Shareholders Joint Venture Agreement and the Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Shareholders Joint Venture Agreement and the Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Shareholders Joint Venture Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Shareholders Joint Venture Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Shareholders Joint Venture Agreement and the Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of each of the Parties to constitute valid Supplemental Documents for purposes hereof.

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23.9. Validity of Provisions.

Should any part of this Agreement or the Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement or any Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

23.10. Governmental Filings.

Fibrobeton shall be responsible for the preparation and filing of all necessary reports and/or applications relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. In addition, Fibrobeton shall secure the services of a Turkish Intellectual Property Rights Attorney to file an application in Turkey to protect the Trademarks owned by NTI, in the name of NTI, in the Territory. NTI shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

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23.11. Payments.

Any payment to be made to NTI or Atagençer, or Fibrobeton pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by Atagençer, Fibrobeton or NTI, as the case may be. Atagençer, Fibrobeton and NTI shall each have the right to specify in writing any bank account to which payments due them (respectively) shall be made.

23.12. Derivative Enforcement by NTI.

In the event of a Material Breach or Default of this Agreement or any of the Ancillary Agreements by Fibrobeton and/or Atagençer and/or their respective Agents, NTI may, derivatively for and on behalf of the Corporation enforce the terms thereof against Fibrobeton, Atagençer and/or their respective Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 19 hereof.

23.13. Derivative Enforcement by Fibrobeton and/or Atagençer.

In the event of a Material Breach or Default of this Agreement or any of the Ancillary Agreements by NTI and/or its Agents, Fibrobeton and/or Atagençer may, derivatively for and on behalf of the Corporation, enforce the terms of this Agreement or any of the Ancillary Agreements against NTI and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 19 hereof.

23.14. Publicity.

Any publicity with respect to this Agreement prior to the formation of the Corporation shall be under the joint control of both Parties. After the formation of the Corporation, publicity shall be under the control of the Corporation as determined by the Board of Directors of the Corporation.

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23.15. Ratification by the Corporation of the Shareholders Joint Venture Agreement and the Ancillary Agreements.

The Parties shall cause the Corporation to expressly ratify, assume, approve, and adopt this Shareholders Joint Venture Agreement and to enter into the Ancillary Agreements as of the Effective Date so that the same, to the extent applicable to the Corporation, shall be binding upon it.

23.16. Brokers.

The Parties acknowledge that all negotiations relative to this Shareholders Joint Venture Agreement and the Ancillary Agreements and the transactions contemplated hereunder have been carried on by them directly, without intervention of any other person retained by either of them so as to give rise to any valid claim against any of the Parties hereto or the Corporation for a brokerage commission, finder`s fee or any similar payment.

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IN WITNESS WHEREOF, the Parties have executed this Shareholders Joint Venture Agreement as of the day and year first above written.

**FIBROBETON PRECAST  
CONCRETE LTD.**

By: /s/  
\_\_\_\_\_

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By: /s/ Philip M. Lynch  
\_\_\_\_\_

**ATAGENÇER, LLC**

By /s/ Dr. Mehmet A. Gencer  
\_\_\_\_\_

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT  
BY AND BETWEEN  
NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION  
AND  
FIBRO-NTI, JOINT STOCK COMPANY  
DATED AS OF JUNE 24, 2001**

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT**

This Technical Assistance and Marketing Support Agreement (“Technical Assistance Agreement”), is made and entered into as of June 24, 2001, by and between **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a corporation organized under the laws of the State of Delaware, U.S.A., whose registered office is located at 6680 North Highway 49, Lino Lakes, Minnesota, U.S.A. (hereinafter “NTI”) and **FIBRO-NTI, JOINT STOCK COMPANY** is Elemanari Sanaye Insaat, ve Tic. Ltd. Sti, Karanfil Cad. 27, 80620 1. Levent, Istanbul, Turkey (hereinafter “Fibro-NTI”).

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**ARTICLE 1  
DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply:

1.1. Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between NTI (as hereinafter defined), and the other Parties (as hereinafter defined) dated as of June 24, 2001, for the formation and governance of a new entity under the laws of Turkey in the form of a limited liability company which shall be known as Fibro-NTI (“Fibro-NTI” or the “Corporation”).

1.2. Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

1.2.1. Management Agreement between Fibrobeton and the Corporation (“Management Agreement”); and

1.2.2. Sales Representation Agreement between Atagençer, LLC (“Atagençer”) and the Corporation (“Sales Representation Agreement”); and

1.2.3. License Agreement between NTI and the Corporation (“License Agreement”); and

1.2.4. Technical Assistance and Marketing Support Agreement between NTI and the Corporation (“Technical Assistance Agreement”).

1.3. Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

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1.4. NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A., the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in the Corporation pursuant to the Shareholders Joint Venture Agreement. In addition, NTI is the owner of a 50% interest in NTI ASEAN (as hereinafter defined).

1.5. Taiyonic.

Taiyonic Ltd., a company organized under the laws of Japan and an NTI Affiliate, which may help in marketing Product to Japanese companies for and on behalf of Fibro-NTI, either in the Territory or internationally as per terms to be agreed to with the support of NTI, as the Parties desire. Taiyonic is 50% owned by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.6. NTI ASEAN.

NTI ASEAN, LLC, a limited liability company, organized under the laws of the State of Nevada, U.S.A., whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the ASEAN Region (as set forth in Article 1.7.2 hereof), outside of Japan and the Republic of South Korea. NTI ASEAN is owned 50% by NTI and 50% by Taiyo Petroleum Gas Co. Ltd.

1.7. NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the

1.7.1 NTI Affiliates.

Current NTI Affiliates are set forth in Appendix I hereof.

1.7.2 NTI ASEAN Affiliates.

Current NTI ASEAN Affiliates are set forth in Appendix II hereof.

1.8. Corporation or Joint Venture.

Fibro-NTI, that entity created in Turkey by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation's Business in the Territory, also referred to herein as "Fibro-NTI".

1.9. Corporation's Business.

The Corporation's Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.10. Territory.

The Territory of Turkey and any other Territories as shall be agreed between the Parties.

1.11. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the Republic of Turkey for the Shareholders Joint Venture Agreement were obtained and the Corporation was duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.12. NTI Intellectual Property Rights.

The Know-How, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

1.13. Know-How.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, both directly and through NTI Affiliates; which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.14. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality control which are required for utilization of the Process.

1.15. Process.

The procedure utilizing the Know-How for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.16. Product.

Volatile Corrosion Inhibiting ("VCI") materials incorporated in polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may also include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.17. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.18. Trademark.

The name and style "ZERUST", the "Zerust People", "EXCOR", the NTI Logo and the Color Yellow as applied to VCI packaging materials, including trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions. NTI is the registered owner of the Trademark in the Jurisdictions cited hereof in Appendix III.

1.19. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Know-How, Materials, Process, Product, and/or Masterbatch, together with information regarding technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.20. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the commercial activities of Fibro-NTI over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's activities, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's activities as "Other Agreed Upon Technologies" to be treated as set forth in the Shareholders Joint Venture Agreement and the Ancillary Agreements.

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1.21. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.22. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscriptor "At Cost").

1.23. Shareholder.

Any holder, from time to time, of Shares of the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.24. Shares.

Any validly issued shares of the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.25. Transfer of Shares.

Any sale, transfer, assignment, pledge or disposition of Shares of the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

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1.26. Transferor of Shares.

A Shareholder who declares an intention to Transfer Shares of the Corporation and/or initiates the Transfer of Shares.

1.27. Transfer Price for Shares.

The price per share for the Shares of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

1.28. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Shares pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.29. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

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**ARTICLE 2**  
**RESPONSIBILITIES OF NTI WITH RESPECT TO**  
**PROVIDING TECHNICAL ASSISTANCE TO**  
**FIBRO-NTI RELATIVE TO PRODUCT**

2.1. Technical Assistance Relative to Product.

NTI shall provide Fibro-NTI with technical advice with respect to the effective use of Product, applications engineering support in response to customer requirements for the development of packaging systems incorporating Product, and technical assistance in the manufacturing of Product in the Territory. In

addition, NTI shall assist Fibro-NTI in responding to technical problems which might arise from the use of Product (proper and improper), and in the evaluation of potential new applications of Product for specific customers.

2.2. Development of New Application Technologies.

NTI shall continue its efforts to expand the range of applications of the Product and shall make any tangible results of such efforts available to Fibro-NTI.

2.3. Training by NTI in the Manufacturing of the Product in the Territory.

NTI shall provide assistance and training of personnel from Fibro-NTI as may reasonably be required by Fibro-NTI to facilitate the manufacture of Product in the Territory. This shall include training of Agents of Fibro-NTI (as defined in Article 7.3.1 hereof), and may include the training of Submanufacturers of Fibro-NTI (as defined in Article 7.3.1(i) hereof) at a location to be mutually determined.

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2.4. Quality Control of Masterbatch.

The parties recognize that the Materials consist of a unique, proprietary and secret combination of chemicals which has been developed by NTI, which chemicals are prepared, mixed and combined prior to shipment in the form of Masterbatch; and that the Masterbatch is essential in order for the Process to work safely and effectively. Accordingly, in order to ensure proper quality control, NTI agrees to sell to Fibro-NTI, at Fibro-NTI's request, and Fibro-NTI agrees to purchase from NTI, such Masterbatch At Cost as may be necessary to carry out the Corporation's Business with respect to Product. Alternatively, Fibro-NTI may purchase Masterbatch from any other NTI or NTI ASEAN Affiliate or external bona fide supplier, provided that NTI has approved the quality and reliability of such Materials and such supplier, and provided that such supplier affords Fibro-NTI product liability insurance on the chemical formulations it sells to Fibro-NTI deemed to be adequate to protect Fibro-NTI from loss due to any lessening of Quality Control standards established by NTI. NTI herewith approves Masterbatch manufactured under the care, custody and control of the EXCOR Technical Center in Dresden. Notwithstanding Fibro-NTI's right to choose a supplier of Masterbatch in accordance with the provisions hereof, upon receipt of bona fide Purchase Orders for Masterbatch from Fibro-NTI under the Terms of Trade for Masterbatch set forth below, NTI agrees to supply to Fibro-NTI such Masterbatch as may be ordered by Fibro-NTI in reasonable quantities and within reasonable timeframes, subject to the provisions of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements.

2.4.1. Terms of Trade for Masterbatch. Shipments of Masterbatch by NTI to Fibro-NTI and the terms of sale thereof will be pursuant to and in accordance with the Terms of Trade set forth in Appendix IV hereto, as modified from time to time. The initial price schedule for Masterbatch is also set forth in Appendix VI. Masterbatch purchased from NTI shall be paid as set forth in Article 12.11 or at any other place designated by NTI in U.S. Dollars invoiced within ninety (90) days following receipt by Fibro-NTI of each shipment of Masterbatch at its principal place of business or at such other places in the Territory as shall be designated by Fibro-NTI in the purchase order issued with respect thereto.

2.4.2. Material Safety Data Sheets. NTI shall provide Fibro-NTI with Material Safety Data Sheets for all Masterbatch provided by NTI to Fibro-NTI. NTI shall also provide Fibro-NTI with a complete set of reports issued by all sources to which NTI has access with respect to human health and environmental analyses as to Product and/or NTI Intellectual Property Rights.

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2.4.3. Product Liability Insurance. NTI warrants to Fibro-NTI that NTI presently carries Product Liability insurance as set forth in Appendix V hereof. The product liability coverage under NTI's Master Policy ("NTI's Master Policy") extends solely to Masterbatch manufactured by NTI ("Product Liability Insurance Coverage on Masterbatch"). As of the Effective Date hereof, the pro rata charge to Fibro-NTI by NTI for the Product Liability Insurance Coverage on Masterbatch provided under NTI's Master Policy shall be incorporated within the compensation to be paid to NTI pursuant to Article 6 hereof for services performed hereunder. Any subsequent adjustment in the premiums paid by NTI for Product Liability Insurance Coverage on Masterbatch may, however, necessitate a separate additional charge therefor At Cost to Fibro-NTI by NTI in the future.

2.5. Technical Service Relative to Product through Laboratory Test Facilities.

NTI shall make its Laboratory Test Facilities and/or those of NTI and/or NTI ASEAN Affiliates reasonably available to Fibro-NTI, without charge to Fibro-NTI, for the purpose of analyzing the specific corrosion prevention requirements of customers and/or potential customers for Product in the Territory ("Laboratory Tests"), on a time schedule to be mutually determined. In the course of the technical analysis and Laboratory Test procedures conducted in the Laboratory Test Facilities of NTI and/or NTI ASEAN Affiliates, NTI and shall use reasonable efforts to determine whether NTI Intellectual Property Rights can be utilized effectively to meet, in whole or in part, the specific requirements for corrosion inhibiting technology posed by the customers or prospective customers in the Territory for the applications specified. Various different Materials and Masterbatch formulations may be tested in this process. NTI shall inform Fibro-NTI as to the results of the analyses performed and tests conducted in each such case as promptly as practicable. All of the concepts, analyses and results of such analyses and Laboratory Test procedures shall remain the sole property of NTI. In the event that Product variations are developed within the scope of such Laboratory Tests the ownership of such Product variations shall reside with NTI, subject to the terms of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement, and the other Ancillary Agreements. Notwithstanding the foregoing, if greater demands on the Laboratory Test Facilities of NTI are posed by Fibro-NTI than demands for such support posed by other NTI and/or NTI ASEAN Affiliates of the same approximate size and scope, NTI may not be required to perform the requested services unless Fibro-NTI agrees to the payment of a reasonable charge therefor.

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2.6. Laboratory Test Facilities of the EXCOR Technical Center in Dresden

EXCOR Korrosionsschutz-Technologien und-Produkte GmbH, which is an NTI Affiliate, has developed a Scientific Research Facility in Dresden known as EXCOR Korrosionsforschung GmbH ("EXCOR Technical Center").

The Corporation may elect to make use of the EXCOR Technical Center pursuant to the Catalog of Services and Price List therefor attached hereto as Appendix VI and made a part hereof. Provided that NTI has approved each request for services made by the Corporation of the EXCOR Technical Center in advance ("NTI Approved Request for Research") and receives a full set of samples submitted by the Corporation to the EXCOR Technical Center as well as a complete copy of any and all test reports submitted by the EXCOR Technical Center to the Corporation relative to each NTI Approved Request for Research, the

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**ARTICLE 3**  
**RESPONSIBILITIES OF NTI WITH RESPECT TO**  
**PROVIDING MARKETING SUPPORT TO**  
**FIBRO-NTI RELATIVE TO PRODUCT**

3.1. Marketing Support Relative to Product.

NTI shall, provide Fibro-NTI with assistance in marketing the Product in the Territory and in responding to inquiries with respect to the proper application, including potential new applications, of Product in the Territory.

3.2. Improvements in Marketing Relative to Product.

NTI shall continue its efforts to improve the marketing techniques for the Product, and shall make any tangible results of all such efforts available to Fibro-NTI within the compensation to be paid by Fibro-NTI to NTI pursuant to Article 6 hereof.

3.3. Sales Promotion Tools Relative to Product

NTI shall provide support and assistance in the sales promotion and advertising efforts of Fibro-NTI ("Sales Promotion Tools"). NTI shall provide text, photographs, artwork and mats NTI has developed for its own proprietary Sales Promotion Tools to Fibro-NTI At Cost; upon the reasonable request of Fibro-NTI.

3.4. Participation in Trade Fairs Relative to Product.

At Fibro-NTI's request, and upon mutual agreement as to timing, cost and scope, NTI shall provide support to Fibro-NTI in designing and preparing display material for Fibro-NTI. NTI shall also provide technical staff for Fibro-NTI's booth at appropriate Trade Fairs in Turkey, to promote the sale of Product in the Territory.

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3.5. Joint Sales Calls Relative to Product.

Upon mutual agreement, proper advance planning and identification of suitable prospects, NTI management shall make sales calls in the Territory jointly with NTI and/or Fibro-NTI sales staff to promote the sale of Product in Turkey.

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**ARTICLE 4**  
**INTERNATIONAL COORDINATION AND SUPPORT**  
**RELATIVE TO PRODUCT**

It is recognized by the parties that a major element in the Technical Assistance and Marketing Support provided by NTI relates to the integration of the Corporation's Business within the worldwide "Federation" of NTI and NTI ASEAN Affiliates, for major customers for Product tend to be multinational companies with production and assembly factories throughout the world, such as in the automotive and electronic industries. Therefore, the Technical Assistance and Marketing Support provided to Fibro-NTI shall include:

4.1. Identification of International Customers for Product.

NTI shall, together with Fibro-NTI, identify international companies working in the Territory and attempt to determine which of these have become significant users of the Product in the United States and in the respective territories of other NTI and NTI Affiliates. Following such research into pre-existing customers, NTI shall provide lists of significant users of Product it identifies, together with appropriate references, photographs and other available information as to appropriate applications of Product for each international customer identified, to Fibro-NTI for use in the Territory.

4.2. Inspection of Customer Shipments Abroad.

Where Product is used to protect a Fibro-NTI customer's shipment of metal components and/or finished goods from the Territory to foreign destinations, NTI shall on a case-by-case basis to be determined, arrange to have such shipments inspected by NTI and/or NTI ASEAN Affiliate personnel on arrival, at destinations in such countries where NTI and/or NTI ASEAN have Affiliates, to ensure proper application and efficacy of Product in transit.

4.3. Participation in Worldwide Conferences.

NTI shall invite Fibro-NTI Management to, and include Fibro-NTI Management in, appropriate worldwide and regional strategic conferences, marketing seminars and technical exchanges organized by NTI and/or NTI ASEAN for their joint venture Partners.

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**ARTICLE 5**  
**TECHNICAL ASSISTANCE AND MARKETING**  
**SUPPORT TO BE RENDERED BY NTI RELATIVE TO**  
**OTHER AGREED UPON TECHNOLOGIES**

5.1. Uncertainty as to Market Structure With Respect to Other Agreed Upon Technologies

The parties recognize that the structure of the market for each Other Agreed Upon Technology in the Territory may require a different marketing approach from that required by the structure of the market of Product. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies in the Territory, for planning purposes.

5.2. Determination of Services to be Performed by NTI With Respect to Other Agreed Upon Technologies.

Accordingly, under this Technical Assistance Agreement, NTI shall use its best efforts to perform essentially the same range of services with respect to Other Agreed Upon Technologies that NTI does in the ordinary course of business with respect to Product, adjusted as commensurate to the commercial and financial potential of each individual market for Other Agreed Upon Technologies in the Territory.

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**ARTICLE 6**  
**PAYMENTS TO NTI FOR TECHNICAL ASSISTANCE**  
**AND MARKETING SUPPORT SERVICES**  
**TO FIBRO-NTI**

6.1. Basis for Payments with Respect to Services Relative to Product.

Fibro-NTI shall make payments to NTI as provided in this Article 6 of this Technical Assistance Agreement in consideration of all services performed by NTI as set forth in Articles 2, 3, 4 and 5 hereof. The payments set forth herein shall be made throughout the entire term of this Technical Assistance Agreement as compensation in full for the services specified and duly provided by NTI to Fibro-NTI.

6.2. Amount of Payments for Services Relative to Product.

Fibro-NTI shall pay to NTI an amount equal to seven and one-half percent (7.5%) of Net Sales of Product by the Corporation for NTI's services to Fibro-NTI under this Technical Assistance Agreement. Such payments, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by NTI from time to time.

6.3. Basis for Payments with Respect to Services Relative to Other Agreed Upon Technologies.

Payments to be made to NTI with respect to services to Fibro-NTI relating to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. NTI shall perform substantially the same services under this Technical Assistance Agreement with respect to Other Agreed Upon Technologies that it does with respect to Product. Accordingly, payments to NTI for its services with respect to Other Agreed Upon Technologies under this Technical Assistance Agreement shall, unless otherwise agreed between the Parties, be equal (as a percentage of Net Sales of each Other Agreed Upon Technology) to the payments paid by Fibro-NTI to NTI for its services hereunder with respect to Product.

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6.4. When a Sale is Deemed to Occur.

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

6.5. Support Year.

The term "Support Year" shall mean any twelve (12) month period ending on December 31, except that the first Support Year shall commence on the Effective Date, and end at the next December 31 date.

6.6. Statements to NTI.

Within sixty (60) days after the last day of each quarterly period in each Support Year, Fibro-NTI shall:

- 6.6.1. Prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:
- (i) The total amount of Net Sales of Product (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer);
  - (ii) The total amount of compensation, based upon such Net Sales of Product (computed as hereinbefore provided) payable to NTI for its services to the Corporation hereunder;
  - (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (iv) The total amount of compensation, based upon such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI for its services to the Corporation hereunder.

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- 6.6.2. Pay to NTI the full amount to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 6.6.1 hereof.

6.7. Books and Records.

Fibro-NTI covenants and agrees:

- 6.7.1. That it will keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and

the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI's independent accountants to verify the completeness and accuracy of each item of information which Fibro-NTI is required to set forth in each of the statements referred to in Article 6.6.1;

- 6.7.2. That it will keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

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- 6.7.3. That it will make such commercial and financial records, books of account, data and information available to NTI's representatives and to NTI's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which Fibro-NTI is required to set forth in each of the statements referred to in Article 6.6.1 hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The independent accountants of Fibro-NTI shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data supplied to NTI pursuant to Article 6.6.1 hereof. The cost of such reports shall be borne by Fibro-NTI. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by Fibro-NTI, then the costs and fees of such representatives shall be borne by NTI unless such representatives shall determine, to the satisfaction of Fibro-NTI's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of NTI's representatives and/or accountants shall be borne by Fibro-NTI.

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**ARTICLE 7**  
**PROTECTION OF NTI AND/OR**  
**NTIASEAN TRADE SECRETS**

7.1. Recognition of NTI and/or NTI ASEAN Trade Secrets.

Fibro-NTI acknowledges and agrees that (i) NTI Intellectual Property Rights; (ii) NTI and/or NTI ASEAN Trade Secrets; (iii) the Know-How, Materials, Process, Product and Masterbatch; and (iv) other information deemed confidential by NTI and/or NTI ASEAN and designated herein and hereafter relating to the business of NTI and/or NTI ASEAN, of the Corporation, and of NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are also included within the definition of NTI and/or NTI ASEAN Trade Secrets set forth in Article 1.18 hereof and constitute valuable property rights of NTI, NTI ASEAN and NTI and/or NTI ASEAN Affiliates.

7.2. Protection of NTI and/or NTI ASEAN Trade Secrets.

Fibro-NTI agrees that during the term of this Technical Assistance Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI and/or NTI ASEAN Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and the Ancillary Agreements. NTI and/or NTI ASEAN Trade Secrets shall not be disclosed by Fibro-NTI to third parties and shall be kept secret and confidential except, (i) to the extent that the same have entered into the public domain by means other than the improper actions of Fibro-NTI, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI and/or NTI ASEAN Trade Secret shall be in the public domain as the result of an act by Fibro-NTI or any Agent or Submanufacturer thereof (as hereinafter defined), then Fibro-NTI shall nevertheless continue to keep such NTI and/or NTI ASEAN Trade Secret secret and inviolate.

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7.3. Protection of NTI and/or NTI ASEAN Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of Fibro-NTI.

Neither Fibro-NTI, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location – be it within the Corporation or elsewhere - or retain without NTI's prior written consent, the originals or copies of any NTI and/or NTI ASEAN Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI and/or NTI ASEAN. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI and/or NTI ASEAN Trade Secrets be strictly maintained both as to original documents and copies thereof.

- 7.3.1. Insofar as the officers, employees and consultants of Fibro-NTI (herein collectively "Agents") who come in contact with NTI and/or NTI ASEAN Trade Secrets are concerned, Fibro-NTI shall cause such Agents to enter into NTI and/or NTI ASEAN Trade Secrecy Agreements substantially in the form of Appendix VII to this Technical Assistance Agreement. Fibro-NTI shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI and/or NTI ASEAN Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

- (i) To the extent that Fibro-NTI provides Masterbatch to Submanufacturers in requisite quantities to allow such Submanufacturers to manufacture Product in the Territory in such volumes and forms as may be required for the Corporation's Business ("Submanufacturers"), it is understood that Fibro-NTI may find it necessary to disclose certain NTI and/or NTI ASEAN Trade Secrets to such Submanufacturers for such purposes only;

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- (ii) NTI and/or NTI ASEAN Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing

by NTI and who have entered into NTI and/or NTI ASEAN Trade Secrecy Agreements with Fibro-NTI in a form approved by NTI, but substantially in the form of the NTI and/or NTI ASEAN Trade Secrecy Agreement set forth in Appendix VII hereof;

(iii) Moreover, only those NTI and/or NTI ASEAN Trade Secrets which are absolutely essential for the functions to be performed by such Submanufacturers shall be disclosed to them.

7.3.2. Fibro-NTI shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to apply the Process with respect to Product, incorporating Masterbatch, for the account of Fibro-NTI. Upon completion of any order for such Process of Product by a Submanufacturer, Fibro-NTI shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer in the Process and so take title to the Product, and shall require the return by the Submanufacturer of any Materials or Masterbatch not utilized in the Process. A form of Sub-License Agreement to be used by Fibro-NTI when ceding physical control of Masterbatch to a Submanufacturer is attached hereto as Appendix VIII.

7.3.3. The Parties hereby agree and acknowledge that NTI and/or NTI ASEAN are intended third party beneficiaries of the NTI and/or NTI ASEAN Trade Secrecy Agreements, and that NTI and/or NTI ASEAN may in the sole discretion of each, on their own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the NTI and/or NTI ASEAN Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 7.3.1 hereof) and/or Submanufacturers (as defined in Article 7.3.1(i) hereof) who have executed same.

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7.4. Remedies in the Event of a Violation of Article 7 Hereof.

It is understood and recognized by Fibro-NTI that in the event of any violation by Fibro-NTI and/or its Agents of the provisions of Article 6 hereof, NTI's and/or NTI ASEAN's remedy at law will be inadequate and NTI and/or NTI ASEAN will suffer irreparable injury. Accordingly, Fibro-NTI consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and/or NTI ASEAN and in any court of competent jurisdiction to protect NTI and/or NTI ASEAN Trade Secrets. Such relief shall be in addition to any other relief to which NTI and/or NTI ASEAN may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Technical Assistance Agreement.

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**ARTICLE 8**  
**COVENANT TO OBSERVE THE**  
**DOCTRINE OF "CORPORATE OPPORTUNITY"**

8.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development and implementation of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies and/or the application of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

8.2. Agreement Not to Divert Resources.

Fibro-NTI and NTI agree that during the term of this Technical Assistance Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term NTI shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Technical Assistance Agreement is terminated: (i) because of a material Breach of the Shareholders Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 9 hereof; (iv) pursuant to Article 10 hereof; or (v) upon a Breach of Articles 7 or 8 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of this Article 8 for a period of three years following the date of termination, but Fibro-NTI shall at no time be permitted to use NTI and/or NTI ASEAN Trade Secrets for any activity outside the Corporation, including but not limited to such activities which would have the effect of diverting resources from the Corporation.

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8.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 8 hereof by a Party, the remedy at law will be inadequate and that the other Party to this Technical Assistance Agreement shall suffer irreparable injury. Accordingly, each Party to this Technical Assistance Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Technical Assistance Agreement.

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**ARTICLE 9**  
**TERM OF AGREEMENT**

9.1. Indefinite Term.

This Technical Assistance Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

9.2. Termination.

This Technical Assistance Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 9.2.1. Terminated by either Party in accordance with the provisions of Articles 7 and/or 8 hereof;
- 9.2.2. Terminated in accordance with Article 9.3 and/or Article 9.4 hereof;
- 9.2.3. Terminated by either Party by reason of a material Breach or Default of this Technical Assistance Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof; or
- 9.2.4. Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Technical Assistance Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

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9.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this Technical Assistance Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

9.4. Termination Upon Bankruptcy or Insolvency.

If a Fibro-NTI hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Technical Assistance Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Technical Assistance Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Technical Assistance Agreement if:

- 9.4.1. Payments due under this Technical Assistance Agreement for past obligations are rendered in full by the Party subject to such proceedings;
- 9.4.2. Payments due under this Technical Assistance Agreement for present obligations are rendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party or Parties; and
- 9.4.3. All other provisions of this Technical Assistance Agreement are complied with fully by the Party subject to such proceedings.

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9.5. Payment of Amounts Due.

In the event of termination of this Technical Assistance Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Technical Assistance Agreement prior to the effective date of termination.

9.6. Cooperation Upon Termination.

Upon termination of this Technical Assistance Agreement, the Corporation shall cooperate with NTI and NTI ASEAN in transferring NTI Intellectual Property Rights, and NTI and/or NTI ASEAN Trade Secrets, to NTI, NTI ASEAN or their designated assignee; and NTI shall cooperate with the Corporation and with NTI in transferring NTI Trade Secrets to NTI or its designated assignee.

9.7. Non-Release of Obligations.

The termination of this Technical Assistance Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 7, upon termination of this Technical Assistance Agreement, NTI Intellectual Property Rights together with NTI and/or NTI ASEAN Trade Secrets shall continue to be kept secret and confidential by Fibro-NTI.

9.8. Cessation of Rights Upon Termination.

Upon the termination of this Technical Assistance Agreement, for reason of Default or Breach of this Technical Assistance Agreement or of the Shareholders Joint Venture Agreement or of any Ancillary Agreement, all rights which the Party in Default ("Defaulting Party") may have under or pursuant to this Technical Assistance Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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10.1. Event of Default.

A Default (“ Default”) hereunder shall exist in the event of:

- 10.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or
- 10.1.2. A material Breach (“Breach”) of any provision of this Technical Assistance Agreement other than Articles 7 and/or 8 hereof;
- 10.1.3. A Breach of Articles 7 and/or 8 hereof.

10.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 10.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Technical Assistance Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Technical Assistance Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party’s right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party’s Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- 10.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 7 and/or 8 hereof by a Party hereto, the other Party may at its sole discretion terminate this Technical Assistance Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 7 or 8 hereof as provided herein.

10.3. Non-Waiver of Rights.

A Party’s failure to terminate this Technical Assistance Agreement on account of any Breach or Default by the other Party as provided in Article 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Technical Assistance Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 11**  
**DISPUTE RESOLUTION**

11.1. Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 11.2 hereof, which may arise between the Parties during the term of this Technical Assistance Agreement, after the termination thereof, or following the liquidation or dissolution of Fibro-NTI, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- 11.1.1 A dispute as to whether a Default exists;
- 11.1.2 A dispute as to whether a Default entitles the non-defaulting Party to terminate this Technical Assistance Agreement;
- 11.1.3 A dispute as to the validity of this Article 11;
- 11.1.4 A dispute relating to the construction, meaning, interpretation, application or effect of this Technical Assistance Agreement or anything contained herein;
- 11.1.5 A dispute as to the rights, obligations or liabilities of the Parties hereunder.

11.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Technical Assistance Agreement:

- 11.2.1 Arbitration may not be invoked regarding matters expressed in this Technical Assistance Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 11.2.2 Arbitration may not be invoked if a Party violates the provisions of this Technical Assistance Agreement relating to NTI Intellectual Property Rights, NTI and/or NTI ASEAN Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 7, 8 and/or 10 hereof shall apply.

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11.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Technical Assistance Agreement, the laws of Turkey shall apply. Judgment upon the award rendered by the arbitrator in favor of the Prevailing Party, which shall include an award concerning the payment of costs, attorneys’



ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul  
Turkey

If to NTI, to : Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 651-784-2902

Copy to: Northern Technologies International Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 216-595-1741

Copy to: Fibrobeton Precast Concrete Ltd.  
Elemanari Sanaye Insaat  
ve Tic. Ltd. Sti, Karanfil Cad. 27  
80620 1. Levent  
Istanbul  
Turkey

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Copy to: Atagençer, LLC  
Attention Dr. Mehmet Gençer  
10988 Tanager Trail  
Brecksville, OH 44141  
Tel: 440-838-4543  
Fax: 440-838-4584

or to such other address as may be specified in writing by any of the above.

#### 12.8. Entire Agreement.

This Technical Assistance Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Technical Assistance Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Technical Assistance Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

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#### 12.9. Validity of Provisions.

Should any part of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### 12.10. Governmental Filings.

Fibro-NTI shall be responsible for the preparation and filing of all necessary reports relating to this Technical Assistance Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

#### 12.11. Payments.

Any payment to be made by Fibro-NTI to NTI pursuant to any provision of this Technical Assistance Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due shall be made.

#### 12.12. Derivative Enforcement by the Parties.

The Parties may, derivatively for and on behalf of Fibro-NTI, enforce the terms hereof against the Parties in the event of a material Breach or Default of this Agreement by NTI. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 11 hereof.

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12.13. Changes Subject to Approval of the Parties.

The Parties to this Technical Assistance Agreement shall not change, modify or amend this Technical Assistance Agreement in any respect without the prior written consent of the Parties.

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IN WITNESS WHEREOF, the parties have executed this Technical Assistance and Marketing Support Agreement as of the day and year first above written.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**

By /s/ Philip M. Lynch  
 \_\_\_\_\_

**FIBRO-NTI, JOINT STOCK COMPANY**

By /s/  
 \_\_\_\_\_

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**APPROVAL OF FIBROBETON PRECAST CONCRETE, LTD.**

By its signature hereto FIBROBETON PRECAST CONCRETE, LTD. approves and agrees to the terms and provisions of this Technical Assistance and Marketing Support Agreement and of the form of NTI and NTI-ASEAN Trade Secrecy Agreements attached hereto, and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that FIBROBETON PRECAST CONCRETE, LTD. shall also have a direct right of action in its own name for the enforcement of the provisions of this Technical Assistance and Marketing Support Agreement.

**FIBROBETON PRECAST CONCRETE, LTD.**

By /s/  
 \_\_\_\_\_

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**APPROVAL OF ATAGENÇER, LLC**

By its signature hereto Atagençer, LLC approves and agrees to the terms and provisions of this Technical Assistance and Marketing Support Agreement and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that Atagençer, LLC shall also have a direct right of action in its own name for the enforcement of the provisions of this Technical Assistance and Marketing Support Agreement.

**ATAGENÇER, LLC**

By /s/ Dr. Mehmet A. Gencer  
 \_\_\_\_\_

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT**

**BY AND BETWEEN**

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

**AND**

**ZERUST (UK) LIMITED**

**DATED AS OF 20TH JANUARY 1997**

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**TECHNICAL ASSISTANCE AND MARKETING SUPPORT AGREEMENT**

**THIS AGREEMENT** is made the 20<sup>th</sup> day of January 1997

**BETWEEN**

- (1) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, whose principal office is located in Lino Lakes, Minnesota, U.S.A., (hereinafter "NTI"); and
- (2) **ZERUST (UK) LIMITED** a company incorporated in England and Wales with registered number 3248266 whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter the "Company").

**ARTICLE 1.**

**1. DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

**1.1 Ancillary Agreements**

The following are the Ancillary Agreements and the Parties thereto:

- 1.1.1 Management and Sales Representation Agreement between TP and the Company ("Management Agreement");
  - 1.1.2 License Agreement between NTI and the Company ("License Agreement"); and
  - 1.1.3 Technical Assistance and Marketing Support Agreement between NTI and the Company ("Technical Assistance Agreement")
- and "Ancillary Agreement" shall be construed accordingly.

**1.2 At Cost**

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the prescription "At Cost").

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**1.3 Change of Control**

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

**1.4 Company or Joint Venture**

Zerust (UK) Limited, being that entity created in the Territory by the Parties pursuant to the Joint Venture Agreement to conduct the Company's Business.

**1.5 Company's Business**

The Company's Business shall be the manufacturing, marketing and distribution of Product in the Territory.

**1.6 Completion**

Means completion of the Joint Venture Agreement in accordance with its terms. "Completed" shall be construed accordingly.

**1.7 Effective Date**

The date upon which the Joint Venture Agreement is Completed.

**1.8 Joint Venture Agreement or Agreement**

That certain Joint Venture Agreement by and between Northern Technologies International Corporation, 6680 North Highway 49, Lino Lakes, Minnesota 55014, ("NTI") and TP for the formation and governance of a new entity under the laws of England in the form of a company (the "Company"), which shall be known as Zerust (UK) Limited.

**1.9 Knowhow**

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature

#### **1.10 Masterbatch**

Any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

#### **1.11 Materials**

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

#### **1.12 Net Sales**

The total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated to any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

#### **1.13 NTI Affiliates**

All entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and "NTI Affiliate" shall be construed accordingly.

#### **1.14 NTI Intellectual Property Rights**

The Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI.

#### **1.15 NTI Trade Secrets**

All information deemed and designated confidential, both in the Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates (as hereinafter defined) both in the Territory and elsewhere.

#### **1.16 Parties**

The Parties to the Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns and "Party" shall be construed accordingly.

#### **1.17 Process**

The procedure utilizing the Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

#### **1.18 Product**

Corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilizing the Trademark.

#### **1.19 Territory**

The United Kingdom.

#### **1.20 TP**

Taylor Packaging (Bishop Auckland) Limited, a company incorporated in England and Wales with registered number 01999397 whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ.

#### **1.21 Trademark**

The names and style "ZERUST", "THE ZERUST PEOPLE", and the colour yellow in relation thereto (which, in each case, are the subject of Community Trade Mark applications) which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto.

## **ARTICLE 2.**

### **2. RESPONSIBILITIES OF NTI WITH RESPECT TO PROVIDING TECHNICAL ASSISTANCE TO THE COMPANY**

#### **2.1 Technical Assistance**

NTI shall, at the Company's request, provide the Company with technical advice, applications engineering, support in manufacturing the Product, and assistance in responding to inquiries and problems of customers in the Territory.

#### **2.2 Development of New Applications**

NTI shall continue its efforts to expand the range of applications of the Product and shall make the results of all such efforts available to the Company.

#### **2.3 Assistance by NTI in the Manufacturing of the Product in the Territory**

NTI shall provide assistance and training as may reasonably be required by the Company to facilitate the manufacture of the Product in the Territory. This shall include training of the Company's Agents or Submanufacturers (as set forth in Article 5 hereof) at a location to be mutually determined.

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#### **2.4 Source of Materials**

The parties recognize that the Materials consist of a unique, proprietary and secret combination of chemicals which has been developed by NTI and which chemicals are prepared, mixed and combined prior to shipment in the form of Masterbatch; and that the Masterbatch is essential in order for the Process to work safely and effectively. Accordingly, in order to ensure proper quality control, NTI agrees to sell to the Company, at the Company's request, and the Company agrees to purchase from NTI, such Materials and/or Masterbatch as may be necessary to carry out the Company's Business. Alternatively, the Company may purchase Materials and/or Masterbatch from any other NTI Affiliate or external bona fide supplier, provided that NTI has approved the quality and reliability of such materials and such supplier.

2.4.1 **Terms of Trade for Materials.** Shipments of the Materials and/or Masterbatch by NTI to the Company and the terms of sale thereof will be pursuant to and in accordance with the Terms of Sale set forth in Schedule A hereto. The initial price schedule for the Materials and Masterbatch is also set forth in Schedule A. Materials and/or Masterbatch purchased from NTI shall be paid at the head office of NTI or at any other place designated by NTI in the currency invoiced within thirty (30) days following receipt by the Company of such Materials and/or Masterbatch at its principal place of business or at such other places in the Territory as shall be designated by the Company in the purchase order issued with respect thereto.

2.4.2 **Material Safety Data Sheets.** NTI shall provide the Company with Material Safety Data Sheets for all Materials and Masterbatch provided by NTI to the Company.

2.4.3 **Product Liability Insurance.** NTI warrants to the Company that NTI presently carries product liability insurance (as set out in Schedule B hereto). The product liability coverage under the Policy extends solely to the Materials and Masterbatch manufactured by NTI and provided by NTI to the Company. As of the Effective Date hereof, the pro rata charge to the Company by NTI for the Product Liability Insurance Coverage on the Materials and Masterbatch provided to the Company by NTI shall be incorporated within the compensation to be paid to NTI pursuant to Article 4.2 hereof for services performed hereunder; any subsequent adjustment in the premium of the coverage for Product Liability Insurance may, however, necessitate a separate additional charge therefor to the Company by NTI in the future.

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#### **2.5 Availability of Laboratory Test Facilities**

NTI shall make its Laboratory Test Facilities reasonably available to the Company, without charge to the Company, for the purposes of analyzing the specific corrosion prevention requirements of customers and/or potential customers for the Product, which customers shall have been identified by the Company in the Territory, on a schedule to be mutually determined. In the course of the technical analysis and testing procedures conducted in the Laboratory Test Facilities of NTI, NTI shall use reasonable efforts to determine whether the NTI Intellectual Property Rights can be utilized effectively to meet, in whole or in part, the specific requirements for corrosion inhibiting technology posed by the customers or prospective customers for the applications specified. Various different Materials and Masterbatch formulations may be tested in this process. NTI shall inform the Company as to the results of the analysis performed and tests conducted in each such case as promptly as practicable. All of the concepts, analyses and results of such analyses and testing procedures shall be and remain the sole property of NTI, without any additional fee or cost to it, subject to the provisions of this Agreement and the License Agreement in the event a Product is developed. Notwithstanding the foregoing, if greater demands on the Laboratory Test Facilities of NTI are posed by the Company than demands for such support posed by other NTI Affiliates of the same approximate size and scope, NTI may not be required to perform the requested services unless the Company agrees to the payment of a reasonable charge therefor.

## **ARTICLE 3.**

### **3. RESPONSIBILITIES OF NTI WITH RESPECT TO PROVIDING MARKETING SUPPORT TO THE COMPANY**

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#### **3.1 Marketing Support**

NTI shall, at the Company's request, provide the Company with assistance in marketing the Product in the Territory and in responding to inquiries and problems of customers.

#### **3.2 Improvements in Marketing**

NTI shall also continue its efforts to improve the marketing techniques and the customer base for the Product, and shall make any tangible results of all

such efforts available to the Company.

### **3.3 Sales Promotion**

NTI shall provide support and assistance in the sales promotion and advertising efforts of the Company. NTI shall provide text, photographs, artwork and mats NTI has developed for its own proprietary Sales Promotion Tools to the Company at cost; upon the Company's request.

### **3.4 Participation in Trade Fairs**

At the Company's request, and upon mutual agreement as to timing, cost and scope, NTI shall provide support to the Company in preparing, designing and staffing the Company's booth at appropriate Trade Fairs to promote the Product in the Territory.

### **3.5 Customer Lists**

NTI shall identify international companies working in the Territory which have become users of the Product in the United States and in the respective territories of other NTI Affiliates, and provide such customer lists to the Company for use in the Territory.

### **3.6 Joint Sales Calls**

Upon mutual agreement, proper advance planning and identification of suitable prospects, NTI management shall make sales calls in the Territory with the Company's sales staff to promote the Product.

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## **ARTICLE 4.**

### **4. PAYMENTS TO NTI FOR TECHNICAL ASSISTANCE AND MARKETING SUPPORT TO THE CORPORATION**

#### **4.1 Basis for Payments**

The Company shall make payments to NTI which are provided for in this Article 4 in consideration of the services performed by NTI as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Technical Assistance and Marketing Support Agreement as compensation for the services set forth above and duly provided by NTI.

#### **4.2 Amount of Payments**

The Company shall pay to NTI an amount equal to seven and one-half percent (7.5%) of Net Sales from the Company's Business. Payments shall be paid in United States Dollars to an account or accounts as may be designated by NTI from time to time.

#### **4.3 When a Sale is Deemed to Occur**

A sale shall be deemed to have occurred when Product as been billed, (if applicable) and delivered to and paid for by a customer.

#### **4.4 Support Year**

The term "Support Year" shall mean any twelve (12) month period ending on August 31, except that the first Support Year shall commence on the Effective Date.

#### **4.5 Statements to NTI**

Within thirty (30) days after the last day of each quarterly period in each Support Year, the Company shall:

- 4.5.1 Prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:

4.5.1.1 The total amount of Net Sales (broken down in reasonable detail by individual products and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and

4.5.1.2 The total amount of the compensation on such Net Sales (computed as hereinbefore provided) payable hereunder to NTI for its services with respect to Technical Assistance and Marketing Support.

- 4.5.2 Pay to NTI the full amount of the royalties to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 4.5.1 hereof.

#### **4.6 Books and Records**

The Company covenants and agrees:

4.6.1 That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI or NTI's independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Article 4.5.1;

4.6.2 That it will keep all such records and books of account at its principal office and will preserve each such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

4.6.3 That it will make such records, books of account, data and information available to NTI's representatives and to NTI's independent accountants and will give to such representative or accountants free and complete access, at any reasonable time or times, to all such records, books of

account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Article 4.5.1 hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The Company's auditors shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data to be supplied to NTI pursuant to Article 4.5.1 hereof. The cost of such reports shall be borne by the Company. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by NTI unless such representatives shall determine, to the satisfaction of the Company's auditors, that there is an understatement in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of NTI's representatives and/or accountants shall be borne by the Company.

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## **ARTICLE 5.**

### **5. PROTECTION OF NTI TRADE SECRETS**

#### **5.1 Recognition of NTI Trade Secrets**

The Company acknowledges and agrees that (i) NTI Intellectual property Rights; (ii) other information deemed confidential by NTI and designated herein and hereafter relating to the business of NTI, of the Company, and of NTI Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost data and cost accounting, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins are also included within the definition of NTI Trade Secrets set forth in Article 1.15 hereof and constitute valuable property rights of NTI and NTI Affiliates.

#### **5.2 Protection of NTI Trade Secrets**

The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI Trade Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and Ancillary Agreements. NTI Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI Trade Secret shall be in the public domain as the result of an act by the Company or any Agent (as hereinafter defined) thereof, then the Company shall nevertheless continue to keep such NTI Trade Secrets secret and inviolate.

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#### **5.3 Protection of NTI Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of the Company**

Neither the Company, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location, or retain without NTI's prior written consent, the originals or copies of any NTI Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or the Company. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI Trade Secrets be strictly maintained both as to original documents and copies thereof.

5.3.1 Insofar as the officers, employees and consultants of the Company (herein collectively "Agents") who come in contact with NTI Trade Secrets are concerned, the Company shall cause such Agents to enter into NTI Trade Secrecy Agreements substantially in the form of Annex II to this Agreement. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

5.3.1.1 To the extent that the Company provides Masterbatch to Submanufacturers in requisite quantities to allow such Submanufacturers to manufacture the Product in the Territory in such volumes and forms as may be required for the Company's Business ("Submanufacturers"), it is understood that the Company may find it necessary to disclose certain NTI Trade Secrets to such Submanufacturers.

5.3.1.2 NTI Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI and who have entered into Trade Secrecy Agreements with the Company in a form approved by NTI, but substantially in the form of the Trade Secrecy Agreement set forth in Annex II hereof.

5.3.1.3 Moreover, only those NTI Trade Secrets which are absolutely essential for the manufacturing activities to be carried on by such Submanufacturers shall be disclosed to them.

5.3.2 The Company shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to manufacture the Product, incorporating Masterbatch, for the account of the Company. Upon completion of any order for the Product by a Submanufacturer, the Company shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer and so take title to the Product, and shall require the return of any Masterbatch not utilized in the Process.

5.3.3 The Parties hereby agree and acknowledge that NTI is an intended third party beneficiary of the Trade Secrecy Agreements, and that NTI may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 5.3.1 hereof) and/or Submanufacturers (as defined in Article 5.3.1.1 hereof) who have executed same.

#### 5.4 Remedies in the Event of a Violation of Article 5 hereof

It is understood and recognized by the Company that in the event of any violation by the Company of the provisions of Article 5 hereof, NTI's remedy at law will be inadequate and NTI will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief in any court of competent jurisdiction in order to protect the NTI Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity.

### ARTICLE 6.

#### 6. COVENANT TO OBSERVE THE DOCTRINE OF "CORPORATE OPPORTUNITY"

##### 6.1 Doctrine of Corporate Opportunity and Observance Thereof

It is the intent of the Parties to this Agreement, the Joint Venture Agreement and to the other Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under the Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

##### 6.2 Agreement Not to Divert Resources

The Company and NTI agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of the Product from the Company within the Territory except through the Company in furtherance of the Company's Business. During said term neither of such Parties shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material Breach of the Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 7 hereof; (iv) pursuant to Article 8 hereof; (v) or upon a Breach of Articles 5 or 6 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of this Article 6 for a period of two years following the date of termination, but shall at no time be permitted to use NTI Trade Secrets, as the case may be, for any activity outside the Company.

##### 6.3 Remedies for Breach of Agreement Not to Divert Resources

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 6 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to the Joint Venture and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

### ARTICLE 7.

#### 7. TERM OF AGREEMENT

##### 7.1 Indefinite Term

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect indefinitely unless:

7.1.1 terminated by either Party in accordance with the provisions of Articles 13, 14 and/or 15 hereof;

7.1.2 terminated by either Party by reason of a Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 18 hereof; or

7.1.3 any of the Ancillary Agreements or the Joint Venture Agreement shall be terminated by a Party in accordance with its terms. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

##### 7.2 Payment of Amounts Due

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

##### 7.3 Non-Release of Obligations

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 5 hereof, upon termination of this Agreement NTI Trade Secrets shall continue to be kept secret and confidential.

### ARTICLE 8.

## **8. DEFAULT**

### **8.1 Default**

A Default ("Default") hereunder shall exist in the event of:

- 8.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or
- 8.1.2 A material breach ("Breach") of any provision of the Joint Venture Agreement or the Ancillary Agreements other than Articles 5 or 6 hereof;

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8.1.3 A breach of Articles 5 or 6 hereof.

### **8.2 Remedies upon Default**

The remedies available to each Party in an instance of Default by another Party shall be as follows:

- 8.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party) provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- 8.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 5 or 6 hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

### **8.3 Non-Waiver of Rights**

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 8.1 or 8.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 8.2 hereof), or on account of any subsequent Breach or Default by a Party.

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## **ARTICLE 9.**

### **9. ARBITRATION**

#### **9.1 Arbitration Mandatory**

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

- 9.1.1 a dispute as to whether a Default exists;
- 9.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- 9.1.3 a dispute as to the validity of this Article 9;
- 9.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
- 9.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgement upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

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- (a) based upon a Party's violation of the provisions of this Agreement relating to NTI Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 5 and 6 hereof.
  - (b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

#### **9.2 Punitive Damages Excluded**

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

**ARTICLE 10.**

**10. GENERAL PROVISIONS**

**10.1 Benefit of Parties**

All of the terms and provisions of this Agreement, and of the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

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**10.2 Counterparts**

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**10.3 Cooperation**

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Joint Venture Agreement and the Ancillary Agreements and to carry out the true intent and purpose thereof.

**10.4 Index and Captions**

The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof shall be incorporated herein as written and made a part hereof.

**10.5 Waiver of Compliance**

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

**10.6 Force Majeure**

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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**10.7 Notices**

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL or equivalent, as follows:

If to NTI, to:

Northern Technologies  
International Corporation  
6680 North highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to:

Philip M. Lynch  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

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If to Company, to:

Zerust (UK) Limited

Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Attention: Company Secretary  
Tel: 01388 420 555  
Fax: 01388 420 777

Copy to:

Taylor Packaging (Bishop Auckland) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Tel: 01388 420 555  
Fax: 01388 420 777

or to such other address as may be specified in writing by any of the above.

#### **10.8 Entire Agreement**

This Technical Assistance and Marketing Support Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the parties hereto. There are no prior representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement.

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#### **10.9 Validity of Provisions**

Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### **10.10 Governmental Filings**

The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever material and information required of and available to it in connection with the preparation and filing of such reports.

#### **10.11 Payments**

Any payment to be made by the Company to NTI pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due shall be made.

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#### **10.12 Derivative Enforcement**

TP may, derivatively for and on behalf of the Company, enforce the terms hereof against NTI in the event of a material Breach or Default of this Agreement by NTI. In the event of derivative enforcement hereunder, the matter shall be submitted to arbitration in accordance with the provisions of Article 9 hereof.

#### **10.13 Changes Subject to Approval of**

The parties to this Agreement shall not change, modify or amend this Agreement in any respect without the prior written consent of TP.

#### **10.14 Applicable Law**

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

#### **10.15 RTPA**

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

By /s/ Philip M. Lynch  
ZERUST (UK) LIMITED

By /s/

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ANNEX I

**APPROVAL OF TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**

By its signature hereto Taylor Packaging (Bishop Auckland) Limited approves and agrees to the terms and provisions of this Technical Assistance and Marketing Support Agreement and the Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that Taylor Packaging (Bishop Auckland) Limited shall also have a direct right of action in its own name for the enforcement of the provisions of this Agreement.

TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED

By /s/

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**SCHEDULE A**

**MASTERBATCH PRICING & TERMS OF TRADE**

as of 20 November, 1996

<b><u>Masterbatch</u></b>	<b><u>Color</u></b>	<b><u>Protection</u></b>	<b><u>J.V. Price</u></b>
PAY4733	Yellow	Ferrous Metals	US\$7.06/lb
CLR10227	Clear	Ferrous Metals	US\$7.06/lb
MM61453	Clear	Multimetal (w/o Sodium Nitrite)	US\$11.06/lb
MM62321	Clear	Multimetal (low odor)	US\$11.06/lb
NFC60222	Clear	Nonferrous Metals	US\$11.06/lb

Masterbatches are packaged in 40 lb bags.

Trade terms are net 30 days.

Notice of changes contemplated by NTI for masterbatch prices will be sent to all joint ventures prior to effecting the change.

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**SCHEDULE B**

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**FOREIGN LIABILITY POLICY**

**General Liability and Automobile Coverage Section**

Insurance Company: CIGNA  
Policy Number: PHF018946  
Policy Period: 4/23/96 – 4/23/97  
Named Insured: **Northern Technologies International Corporation**  
**Northern Instruments Corporation**

Liability Limits:

Each Occurrence:	\$3,000,000
Products/Completed Operations:	\$3,000,000
Personal Injury & Advertising:	\$3,000,000
Fire Legal Liability:	\$3,000,000
Contingent Automobile:	\$3,000,000
Employee Benefits – Each claim	\$3,000,000
Annual Aggregate	\$3,000,000

Minimum Premium (Flat): \$6,350

This policy provides foreign liability coverage anywhere in the world excluding the United States, Canada, Puerto Rico, Cuba, Kampuchea, North Korea, Vietnam, Libya and Iran. Your activities taking place in international waters or airspace are covered except those occurring between two destinations of the United States, its territories, Canada or Puerto Rico. Should a claim take place in jurisdictions overseas where the foreign law prohibits CIGNA from defending or paying a claim on behalf of Northern Technologies International Corporation, CIGNA will reimburse Northern Technologies International Corporation for those claims and expenses you are required to pay, including the cost of your defense.

This policy provides protection for Northern Technologies International Corporation, Northern Instruments Corporation, Micro Sensors, Inc. and Special Control Systems, Inc. as entities and also for the interest the Corporations may have in any joint ventures if damages arise out of the operations of those joint ventures. The purpose is not to protect the joint venture itself, but to protect the interest of Northern Technologies International Corporation, Northern Instruments, Inc., Micro Sensors, Inc. and Special Control Systems, Inc. solely. Coverage is limited to the percentage of interest that you have in the Joint Venture.

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FOREIGN LIABILITY POLICY - - continued

The Automobile section of this policy provides Automobile Liability coverage for owned, leased, hired or borrowed vehicles you may operate in a foreign country. It should be noted there is no Automobile Physical Damage coverage on this policy. If you rent vehicles in foreign countries, we need to address the Physical Damage coverage.

The policy is primary coverage where no primary policy exists in a foreign country. The policy is excess and contingent coverage over any local foreign insurance. All claims paid by this policy will be paid in U.S. dollars. In countries where this would not be acceptable, the current dollar rate of exchange will prevail as of the date of loss.

The policy is written on a flat charge basis. This means the policy is not subject to audit. The premium is also the minimum premium, so if the policy is canceled prior to expiration, there would be no return premium.

**TRADE SECRECY AGREEMENT**

**THIS AGREEMENT**, dated this [ ] day of [ ]

**BETWEEN:-**

- (1) **ZERUST (UK) LIMITED** a company incorporated under the laws of England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham. DL16 6YT (“the Company”);
- (2) [ ] (“the Agent”); and
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, USA (“NTI”) the principal place of business of which is Lino Lakes, Minnesota, USA.

WHEREAS, the Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information;

WHEREAS, the Company receives Technical Assistance and Marketing Support from Northern Technologies International Company (“NTI”) for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilizing the trademark “ZERUST” in the Territory (the “Product”); and

WHEREAS, the Company and NTI have expended and will continue to expend substantial sums of money to train the Agent in the Company’s business including but not limited to marketing the Product, and without which expenditures the Agent would have no such training in the Company’s business and marketing the Product; and

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WHEREAS, the Company and NTI have imparted and will continue to impart to the Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of the Company and NTI;

NOW THEREFORE, in consideration of the employment of the Agent by the Company, the special training with respect to the Company's business and the Product to be provided to him, and the salary to be paid to the Agent by the Company during the term of his employment, it is agreed as follows:

1. The Agent agrees that during his employment by the Company and for so long thereafter as the same has not (other than a result of disclosure by the Company) entered the public domain, he will not, without the prior written consent of the Company and NTI, (i) use outside of the service of the Company or (ii) disclose or divulge to anyone other than persons designated by the Company, any of the following:
  - a. any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to, process, techniques, research, methods technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of the Company or NTI, knowledge of which is acquired by the Agent during the term of his employment by the Company (collectively, "Trade Secrets").
  - b. any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively "Internal Data").
2. The Agent shall at no time copy, remove from their proper location, or retain without the Company's prior written consent, the originals or copies of such Trade Secrets or Internal Data.
3. The Agent shall not, for a period of three (3) years subsequent to the termination of his employment with the Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with the Company in the marketing, sale of manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of the Company, if such employment would in its inherent nature require the Agent to utilize any of the Trade Secrets, Internal Data or portions thereof.

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4. The Agent and the Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of the Company, if NTI, in its sole judgement, chooses to do so, and may proceed directly against the Agent for any breach of the Agent's obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

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**MANAGEMENT AND SALES  
REPRESENTATION AGREEMENT**

**BY AND BETWEEN**

**TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**

**AND**

**ZERUST (UK) LIMITED**

**DATED AS OF 20<sup>TH</sup> JANUARY 1997**

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**MANAGEMENT AND SALES REPRESENTATION AGREEMENT**

**THIS AGREEMENT** is made the 20<sup>th</sup> day of January 1997

**BETWEEN:-**

- (1) TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED of Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham DL16 6YJ (hereinafter "TP"); and
- (2) ZERUST (UK) LIMITED of Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter "the Company").

**ARTICLE 1.**

**1. DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

**1.1 Ancillary Agreements.**

The following are the Ancillary Agreements and the Parties thereto:

- 1.1.1 Management and Sales Representation Agreement between TP and the Company ("Management Agreement");
- 1.1.2 License Agreement between NTI and the Company ("License Agreement"); and
- 1.1.3 Technical Assistance and Marketing Support Agreement between NTI and the Company ("Technical Assistance Agreement")

And "Ancillary Agreement" shall be construed accordingly.

**1.2 At Cost.**

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription "At Cost").

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**1.3 Change of Control.**

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

**1.4 Company or Joint Venture.**

Zerust (UK) Limited, being that entity created in the Territory by the Parties pursuant to the Joint Venture Agreement to conduct the Company's Business.

**1.5 Company's Business.**

The Company's Business shall be the manufacturing, marketing and distribution of Product in the Territory.

**1.6 Completion**

Completion of the Joint Venture Agreement in accordance with its terms.

"Completed" shall be construed accordingly.

**1.7 Effective Date.**

The date upon the Joint Venture Agreement is Completed.

**1.8 Joint Venture Agreement or Agreement.**

That certain Joint Venture Agreement by and between Northern Technologies International Corporation, 6680 North Highway 49, Lino Lakes, Minnesota 55014, ("NTI") and TP, for the formation and governance of a new entity under the laws of England in the form of a company which shall be known as Zerust (UK) Limited.

**1.9 Knowhow.**

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**1.10 Masterbatch.**

Any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

**1.11 Materials.**

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

**1.12 Net Sales.**

The total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated to any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

**1.13 NTI Affiliates.**

All entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Joint Venture Agreement and the Ancillary Agreements as defined herein, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and "NTI Affiliate" shall be construed accordingly.

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**1.14 NTI Intellectual Property Rights.**

The Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI.

**1.15 NTI Trade Secrets.**

All information deemed and designated confidential, both in the Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates (as hereinafter defined) both in the Territory and elsewhere.

**1.16 Parties**

The Parties to the Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns and "Party" shall be construed accordingly.

**1.17 Product.**

Corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilizing the Trademark.

**1.18 Process.**

The procedure utilizing the Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

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**1.19 Territory.**

The United Kingdom.

**1.20 Trademark.**

The names and style "ZERUST", "THE ZERUST PEOPLE", and the colour yellow in relation thereto (which, in each case, are the subject of Community Trade Mark applications), which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto.

## **2. EMPLOYMENT OF TP AS MANAGER**

### **2.1 Employment of Manager.**

The Company hereby employs TP to manage, supervise and conduct the Company's Business. TP hereby accepts such employment and agrees to serve in such capacity in accordance with the terms hereof and of the Joint Venture Agreement and the Ancillary Agreements.

### **2.2 Duties and Authority of Manager.**

TP shall have all authority which may be necessary, desirable or appropriate in connection with the discharge of its duties hereunder, subject only to applicable limitations contained in the Joint Venture Agreement, the Ancillary Agreements and the provisions of Article 2 hereof. TP shall use its best efforts in the performance of its duties and shall discharge same and conduct the Company's Business in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

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### **2.3 Responsibility of Manager for Specific Activities**

In the course of fulfilling its responsibilities pursuant to this Agreement, TP shall carry out the following activities on behalf of the Company.

- 2.3.1 Cause the Company to comply with the terms of the Joint Venture Agreement and the Ancillary Agreements;
- 2.3.2 Acquire such materials, supplies, equipment, services and technical assistance as may be necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.3 Procure from outside experts, consultants and professionals such engineering, legal, advertising, promotional, and, except for accounting services (which shall be provided in accordance with the Joint Venture Agreement), other advisory and professional services as may be necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.4 Protect, keep and maintain the properties and assets of the Company and such properties and assets of the Parties to the Joint Venture Agreement as are in the Company's actual possession;
- 2.3.5 Hire, train and supervise such personnel as may be necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.6 Provide all executive and administrative responsibilities and services necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.7 Cause the Company to comply with all laws applicable to the Company's Business;
- 2.3.8 Process all customer orders, provide billings to customers and make adjustments with customers as appropriate;

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- 2.3.9 Manage the credit risk of the Company including making inquiries regarding the creditworthiness of potential customers;
  - 2.3.10 Manufacture or cause the manufacture of the Product by Submanufacturers (as hereinafter defined) in the Territory At Cost as far as the Manager and its affiliates are concerned;
  - 2.3.11 Maintain the books and records of the Company in accordance with the normal practices of similar businesses in the Territory;
  - 2.3.12 Prepare and file with governmental authorities all required reports and returns relating to the Company's Business;
  - 2.3.13 Procure on behalf of the Company product liability, public liability and other liability, casualty, and general insurance, necessary, desirable and appropriate for the conduct of the Company's Business the Territory;
  - 2.3.14 Establish and maintain a segregated bank account or accounts in the name of the Company for the deposit and disposition of all funds generated by and disbursed for the Company's Business;
  - 2.3.15 Apply standards for the extension of credit and establish and maintain systems for the collection of all accounts, including overdue accounts in accordance with the normal practices of similar businesses in the Territory;
  - 2.3.16 Coordinate the pricing and discount structure for the sale of Product to customers and/or distributors in the Territory, which will result in a reasonable profit to the Company, subject to the provisions of Article 7.3.q. of the Joint Venture Agreement;
  - 2.3.17 Arrange for the preparation and delivery of the Company's financial statements as required by the Joint Venture Agreement; and
  - 2.3.18 Do or cause the Company to do all other acts and things as may be necessary, desirable or appropriate in connection with the conduct of the Company's Business within its corporate authority as stated in its Articles of Incorporation, subject to the Joint Venture Agreement, the Ancillary Agreements and Resolutions of the Board of Directors.

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## **ARTICLE 3.**

## **3. EMPLOYMENT OF TP AS EXCLUSIVE SALES REPRESENTATIVE**

### **3.1 Employment of Exclusive Sales Representative.**

The Company hereby employs TP as its Exclusive Sales Representative for the marketing and sale of Product in the Territory, and TP hereby accepts such employment and agrees to use its best efforts in accordance with the terms hereof to promote the marketing and sale of Product in the Territory.

### **3.2 Duties and Authority of Exclusive Sales Representative.**

TP shall use its best efforts in the performance of its duties hereunder and shall discharge the same in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

### **3.3 Promotion of Product and Trademark.**

In connection with the discharge of its duties hereunder TP shall use its best efforts to solicit and to obtain business and, in so doing, to develop an increasing awareness of the Product and the ZERUST trade name and the Trademark among potential customers. Such sales efforts will be carried on by properly trained sales personnel who shall thoroughly, energetically and regularly canvass and call upon customers and potential customers. TP shall advise NTI on a periodic basis (not less frequently than quarterly) as to the status of its sales efforts, the nature of orders obtained and the amount of backlog.

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### **3.4 Preparation and Use of Promotional Material.**

TP shall not prepare or distribute any promotional material, literature, specifications, manuals, product claims or descriptions concerning the Materials, Masterbatch, Process, Knowhow, Product or NTI Intellectual Property Rights without the prior written consent and approval thereof by NTI.

### **3.5 Warranties.**

TP shall make no warranty on behalf of NTI or the Company and shall instruct its Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) to make no warranty on behalf of NTI or the Company TP as to the Process, Knowhow, Product or NTI Intellectual Property Rights, except in accordance with documentation specifically approved by NTI.

## **ARTICLE 4.**

### **4. PAYMENTS TO TP FOR ITS SERVICES AS MANAGER AND AS EXCLUSIVE SALES REPRESENTATIVE OF THE COMPANY**

#### **4.1 Basis for Payments.**

The Company shall make payments to TP which are provided for in this Article 4 in consideration of the services performed by TP as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Management and Sales Representation Agreement as compensation for the services set forth above and duly provided by TP.

#### **4.2 Compensation to TP for Management Services Rendered to the Company.**

As compensation for its management services to be rendered pursuant to this Agreement, the Company shall pay to TP a fee equal to five percent (5%) of the amount of Net Sales of Product, plus reimbursement of all out-of-pocket expenses (At Cost) paid or incurred by TP in the discharge of its responsibilities hereunder. Such amounts shall be paid to TP within thirty (30) days after the conclusion of each quarterly period, based upon Net Sales and out-of-pocket expenses during the preceding quarterly period.

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#### **4.3 Compensation to TP for Services as Exclusive Sales Representative to the Company.**

TP shall receive compensation for its services to the Company as Exclusive Sales Representative hereunder equal to ten percent (10%) of the total Net Sales of Product by the Company, plus out-of-pocket expenses (At Cost) incurred in the performance of its duties in this regard. In the course of effectuating sales, TP may either purchase Product directly from the Company and thereupon resell same to customers for its own account, or alternatively serve as a commission agent for the Company, but not both; provided that the total margin to TP does not exceed 10%. Payment terms for Product purchased by TP from the Company for resale to customers shall be equal to the same terms offered by TP on behalf of the Company to third parties fulfilling the same functions and payment for Product purchased shall be made by TP to the Company forthwith upon receipt of payment from customers.

#### **4.4 When a Sale is Deemed to Occur.**

A sale shall be deemed to have occurred when Product has been billed or (if not billed) delivered to and paid for by a customer.

#### **4.5 Support Year.**

The term "Support Year" shall mean any twelve (12) month period ending on August 31, except that the first Support Year shall commence on the Effective Date.

#### **4.6 Statements to TP.**

Within thirty (30) days after the last day of each quarterly period in each Support Year, the Company shall:

4.6.1 Prepare and deliver to TP a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:

4.6.1.1 The total amount of Net Sales (broken down in reasonable detail by individual products and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and

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4.6.1.2 The total amount of compensation on such Net Sales (computed as hereinbefore provided) payable to TP for its Management and Sales Representation Services to the Company hereunder.

4.6.2 Pay to TP the full amount of compensation to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 4.6.1 hereof

#### **4.7 Books and Records.**

The Company covenants and agrees:

4.7.1 That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI, TP or their independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Article 4.6.1;

4.7.2 That it will keep all such records and books of account at its principal office and will preserve each such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

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4.7.3 That it will make such records, books of account, data and information available to TP, NTI and/or their representatives and independent accountants and will give to such representative or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Article 4.6.1 hereof. In addition, TP and NTI shall have the right to make copies of any of the foregoing. The independent accountants of the Company shall in the ordinary course of business provide written confirmation and certification to TP and NTI, at least annually, of the data to be supplied to TP and NTI pursuant to Article 4.6.1 hereof. The cost of such reports shall be borne by the Company. In the event that TP or NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by TP or NTI, as the case may be, unless such representatives shall determine, to the satisfaction of the Company's independent accountants, that there is an understatement in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of TP's or NTI's representatives and/or accountants shall be borne by the Company.

### **ARTICLE 5.**

#### **5. PROTECTION OF TP TRADE SECRETS**

##### **5.1 Identification of TP Trade Secrets.**

The Parties acknowledge that it is not intended that TP impart its technology or trade secrets to the Company or, through the Company, to third parties or NTI; The Parties recognize, however, that TP may impart information to the Company to further the Company's Business, which TP considers to be proprietary in nature and thus wishes to be kept confidential (TP Trade Secrets), and that such Trade Secrets may come to be imparted to NTI through the Company. In order for such information to be considered under the category of TP Trade Secrets, TP must alert the Company and NTI to the fact that it intends to impart information it considers proprietary to the Company, in writing, in advance of imparting such information, and clearly identifying such information as a TP Trade Secret.

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##### **5.2 Protection of TP Trade Secrets.**

The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all TP Trade. Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and Ancillary Agreements. TP Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a TP Trade Secret shall be in the public domain as the result of an act by the Company or any Agent thereof, then the Company shall nevertheless continue to keep such TP Trade Secrets secret and inviolate.

##### **5.3 Protection of TP Trade Secrets by Agents of the Company.**

Neither the Company, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Company or elsewhere - ; or retain without TP's prior written consent, the originals or copies of any TP Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as TP Trade Secrets be strictly maintained both as to original documents and copies thereof.

5.3.1 Insofar as the officers, employees and consultants of the Company (herein collectively "Agents") who come in contact with TP Trade Secrets are concerned, the Company shall cause such Agents to enter into TP Trade Secrecy Agreements substantially in the form of Annex II to this Agreement. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

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5.3.2 The Parties hereby agree and acknowledge that TP is an intended third party beneficiary of the Trade Secrecy Agreements, and that TP may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 5.3.1 hereof) and/or Submanufacturers (as defined in Article 6.3.1.1 of the Licence Agreement) who have executed same.

**5.4 Remedies in the Event of a Violation of Article 5 hereof.**

It is understood and recognized by the Company that in the event of any violation by the Company of the provisions of Article 5 hereof, TP's remedy at law will be inadequate and TP will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief in any court of competent jurisdiction to protect TP Trade Secrets. Such relief shall be in addition to any other relief to which TP may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

**5.5 Exculpation of the Company in the Event of Disclosure of TP Trade Secrets as a result of Any Action by TP.**

Notwithstanding the foregoing or any other provision of this Agreement, the Company shall be exculpated from any action by TP which results in the disclosure of Trade Secrets to any third party, whether such action results from the performance of under this Agreement, the Joint Venture Agreement, any other Ancillary Agreement or otherwise.

**ARTICLE 6.**

**6. COVENANT TO OBSERVE THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

**6.1 Doctrine of Corporate Opportunity and Observance Thereof.**

It is the intent of the Parties to this Agreement, the Joint Venture Agreement and to the other Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under the Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

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**6.2 Agreement Not to Divert Resources.**

TP agrees and covenants that during the term of this Agreement, TP shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of the Product from the Company within the Territory except through the Company in furtherance of the Company's Business. During said term TP shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material Breach of the Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 7 hereof; (iv) pursuant to Article 8 hereof; (v) or upon a Breach of Articles 5 or 6 hereof, then the Company shall continue to be bound by the provisions of this Article 6 for a period of two years following the date of termination, but shall at no time be permitted to use TP Trade Secrets, as the case may be, for any activity outside TP's involvement with the Company.

**6.3 Remedies for Breach of Agreement Not to Divert Resources.**

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 6 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to the Joint Venture and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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**ARTICLE 7.**

**7. TERM OF AGREEMENT**

**7.1 Indefinite Term.**

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect indefinitely unless:-

7.1.1 terminated by either Party in accordance with the provisions of Articles 5 and/or 6 hereof,

7.1.2 terminated by either Party by reason of a Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 8 hereof, or

7.1.3 any of the Ancillary Agreements or the Joint Venture Agreement shall be terminated by a Party in accordance with its terms. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

**7.2 Payment of Amounts Due.**

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

**7.3 Non-Release of Obligations.**

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 5 hereof, upon termination of this Agreement TP Trade Secrets shall continue to be kept secret and confidential.

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**ARTICLE 8.**

**8. DEFAULT**

**8.1 Default.**

A Default (“ Default”) hereunder shall exist in the event of:

- 8.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or
- 8.1.2 A material breach (“Breach”) of any provision of the Joint Venture Agreement or the Ancillary Agreements other than Articles 5 or 6 hereof,
- 8.1.3 A breach of Articles 5 and/or 6 hereof.

**8.2 Remedies upon Default.**

The remedies available to each Party in an instance of Default by another Party shall be as follows:

- 8.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party) provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with due diligence. A Party’s right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party’s Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- 8.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 5 and/or 6 hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

**8.3 Non-Waiver of Rights.**

A Party’s failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 8.1 or 8.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 8.2 hereof), or on account of any subsequent Breach or Default by a Party.

**ARTICLE 9.**

**9. ARBITRATION**

**9.1 Arbitration Mandatory.**

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

- 9.1.1 a dispute as to whether a Default exists;
- 9.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;

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- 9.1.3 a dispute as to the validity of this Article 9;
  - 9.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
  - 9.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgement upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys’ fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

- (a) based upon a Party’s violation of the provisions of this Agreement relating to TP Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 5 and/or 6 hereof.

(b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

## 9.2 Punitive Damages Excluded.

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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## ARTICLE 10.

### 10. GENERAL PROVISIONS

#### 10.1 Benefit of Parties.

All of the terms and provisions of this Agreement, and of the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

#### 10.2 Counterparts.

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

#### 10.3 Cooperation.

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Joint Venture Agreement and the Ancillary Agreements and to carry out the true intent and purpose thereof.

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#### 10.4 Index and Captions.

The captions of the Sections and Articles of this Agreement are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof shall be incorporated herein as written and made a part hereof.

#### 10.5 Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

#### 10.6 Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lockouts, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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#### 10.7 Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL or equivalent, as follows:

If to TP, to:

Taylor Packaging (Bishop Auckland) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YL

If to the Company:

Tel: 01388 420 555  
Fax: 01388 420 777  
Zerust (UK) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YL  
Tel: 01388 420 555  
Fax: 01388 420 777

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Copy to:

Philip M Lynch  
One Commerce Park Square  
23200 Chagrin Blvd. Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

If to NTI, to:

Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to:

Philip M. Lynch  
One Commerce Park Square  
23200 Chagrin Blvd. Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

or to such other address as may be specified in writing by any of the above.

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#### **10.8 Entire Agreement.**

This Management and Sales Representation Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the parties hereto. There are no prior representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement.

#### **10.9 Validity of Provisions.**

Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### **10.10 Governmental Filings.**

The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. TP shall provide whatever material and information required of and available to it in connection with the preparation and filing of such reports.

**10.11 Payments.**

Any payment to be made by the Company to TP pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by TP. TP shall have the right to specify in writing any bank account to which payments due shall be made.

**10.12 Derivative Enforcement.**

NTI may, derivatively for and on behalf of the Company, enforce the terms hereof against TP, its Agents, and/or the Agents and/or the Submanufacturers of the Company in the event of a material Breach or Default of this Agreement. In the event of derivative enforcement hereunder, the matter shall be submitted to arbitration in accordance with the provisions of Article 9 hereof.

**10.13 Changes Subject to Approval of NTI.**

The parties to this Agreement shall not change, modify or amend this Agreement in any respect without the prior written consent of NTI.

**10.14 Applicable Law**

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

**10.15 RTPA**

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

TAYLOR PACKAGING (BISHOP  
AUCKLAND) LIMITED

By /s/ \_\_\_\_\_

ZERUST (UK) LIMITED

By /s/ \_\_\_\_\_

**APPROVAL OF NORTHERN TECHNOLOGIES INTERNATIONAL**

**CORPORATION**

By its signature hereto Northern Technologies International Corporation approves and agrees to the terms and provisions of this Management and Sales Representation Agreement and the Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that Northern Technologies International Corporation shall also have a direct right of action in its own name for the enforcement of the provisions of this Agreement.

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

By /s/ Philip M. Lynch

**TRADE SECRECY AGREEMENT**

THIS AGREEMENT, dated this [ ] day of [ ]

**BETWEEN:-**

- (1) **ZERUST (UK) LIMITED** a company incorporated under the laws of England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham. DL16 6YT (“the Company”);
- (2) [ ] (“the Agent”); and
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, USA (“NTI”) the principal place of business of which is Lino Lakes, Minnesota, USA.

WHEREAS, the Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information;

WHEREAS, the Company receives Technical Assistance and Marketing Support from Northern Technologies International Company (“NTI”) for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilizing the trademark “ZERUST” in the Territory (the “Product”); and

WHEREAS, the Company and NTI have expended and will continue to expend substantial sums of money to train the Agent in the Company’s business including but not limited to marketing the Product, and without which expenditures the Agent would have no such training in the Company’s business and marketing the Product; and

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WHEREAS, the Company and NTI have imparted and will continue to impart to the Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of the Company and NTI;

NOW THEREFORE, in consideration of the employment of the Agent by the Company, the special training with respect to the Company’s business and the Product to be provided to him, and the salary to be paid to the Agent by the Company during the term of his employment, it is agreed as follows:

1. The Agent agrees that during his employment by the Company and for so long thereafter as the same has not (other than a result of disclosure by the Company) entered the public domain, he will not, without the prior written consent of the Company and NTI, (i) use outside of the service of the Company or (ii) disclose or divulge to anyone other than persons designated by the Company, any of the following:
  - a. any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to, process, techniques, research, methods technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of the Company or NTI, knowledge of which is acquired by the Agent during the term of his employment by the Company (collectively, “Trade Secrets”).
  - b. any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively “Internal Data”).

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2. The Agent shall at no time copy, remove from their proper location, or retain without the Company’s prior written consent, the originals or copies of such Trade Secrets or Internal Data.
  3. The Agent shall not, for a period of three (3) years subsequent to the termination of his employment with the Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with the Company in the marketing, sale of manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of the Company, if such employment would in its inherent nature require the Agent to utilize any of the Trade Secrets, Internal Data or portions thereof.
  4. The Agent and the Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of the Company, if NTI, in its sole judgement, chooses to do so, and may proceed directly against the Agent for any breach of the Agent’s obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

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**LICENSE AGREEMENT**

**BY AND BETWEEN**

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

**AND**

**ZERUST (UK) LIMITED**

**DATED AS OF 20TH JANUARY 1997**

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**LICENSE AGREEMENT**

**THIS AGREEMENT** is made the 20<sup>th</sup> day of January 1997

**BETWEEN**

- (1) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, whose principal office is located in Lino Lakes, Minnesota, U.S.A., (hereinafter "NTI"); and
- (2) **ZERUST (UK) LIMITED** a company incorporated in England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter the "Company").

**ARTICLE 1**

**1. DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

**1.1 Ancillary Agreements**

The following are the Ancillary Agreements and the Parties thereto:

- 1.1.1 Management and Sales Representation Agreement between TP and the Company ("Management Agreement");
  - 1.1.2 License Agreement between NTI and the Company ("License Agreement"); and
  - 1.1.3 Technical Assistance and Marketing Support Agreement between NTI and the Company ("Technical Assistance Agreement")
- and "Ancillary Agreement" shall be construed accordingly.

**1.2 At Cost**

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the prescription "At Cost").

**1.3 Change of Control**

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

**1.4 Company or Joint Venture**

Zerust (UK) Limited, being that entity created in the Territory by the Parties pursuant to the Joint Venture Agreement to conduct the Company's Business.

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**1.5 Company's Business**

The Company's Business shall be the manufacturing, marketing and distribution of Product in the Territory.

**1.6 Completion**

Means completion of the Joint Venture Agreement in accordance with its terms. "Completed" shall be construed accordingly.

**1.7 Effective Date**

The date upon which the Joint Venture Agreement is Completed.

**1.8 Joint Venture Agreement**

That certain Joint Venture Agreement by and between Northern Technologies International Corporation, 6680 North Highway 49, Lino Lakes, Minnesota 55014, ("NTI") and TP for the formation and governance of a new entity under the laws of England in the form of a company (the "Company"), which shall be known as Zerust (UK) Limited.

**1.9 Knowhow**

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature

and essential or useful in the proper use and application of the Process, together with all improvements and modifications with respect thereto.

#### **1.10 Masterbatch**

Any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

#### **1.11 Materials**

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

#### **1.12 Net Sales**

The total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated to any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

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#### **1.13 NTI Affiliates**

All entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Joint Venture Agreement and the Ancillary Agreements or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and "NTI Affiliate" shall be construed accordingly.

#### **1.14 NTI Intellectual Property Rights**

The Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI.

#### **1.15 NTI Trade Secrets**

All information deemed and designated confidential, both in the Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates (as hereinafter defined) both in the Territory and elsewhere.

#### **1.16 Parties**

The Parties to the Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns and "Party" shall be construed accordingly.

#### **1.17 Process**

The procedure utilizing the Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

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#### **1.18 Product**

Corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilizing the Trademark.

#### **1.19 Territory**

The United Kingdom.

#### **1.20 TP**

Taylor Packaging (Bishop Auckland) Limited (registered number 01999397), whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ;

#### **1.21 Trademark**

The names and style "ZERUST", "THE ZERUST PEOPLE", and the colour yellow in relation thereto (which, in each case, are the subject of Community Trade Mark applications), which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto.

### **ARTICLE 2**

#### **2. GRANT OF LICENSE BY NTI TO TP**

## **2.1 NTI'S Representations**

NTI hereby represents that it is the owner of the Intellectual Property Rights and that it is free to license and to disclose same to the Company.

## **2.2 Grant of License**

NTI hereby grants to the Company upon the terms, provisions and conditions set forth herein, an exclusive, non-transferable right and license under NTI's Intellectual Property Rights to make, have made, use, sell or otherwise dispose of the Product incorporating the Materials and Masterbatch under the Trademark within the Territory. The Company shall not sell, distribute, promote or solicit customers for the Product outside of the Territory in such countries or regions where (i) NTI has a corresponding patent(s) filed and in effect; (ii) NTI has licensed or otherwise authorized the use of the Trademark; (iii) NTI has granted exclusive sales rights to a third party licensee; (iv) NTI has formed an alliance with another NTI Affiliate; or (v) NTI engages in the regular sale of Product.

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## **2.3 Commitment to NTI**

If during the term of this Agreement, the Company, without the prior written consent of NTI, enters into a licence, distribution agreement or any other agreement or relationship with any other undertaking for the use of such undertaking's processes, know-how, techniques and procedures which would in any way conflict with, substitute or impede the Company's obligation to develop the market relating to the NTI Intellectual Property Rights licensed hereunder, NTI shall have the right to terminate this Agreement forthwith. The Company shall use its best endeavors to manufacture and market the Product and to develop the market for the Product in the Territory.

## **2.4 Enlargement of Scope of NTI Intellectual Property Rights not subject to this License**

It is recognized that over a period of time the scope of the NTI Intellectual Property Rights not covered by this License Agreement may expand in related areas. The addition of such new NTI Intellectual Property Rights under this License Agreement shall be as mutually agreed by NTI and the Company, based upon their joint assessment of the prospective market therefor within the Territory and the suitability of including such new NTI Intellectual Property Rights within the Company's Business.

## **2.5 Claims against the Company for Infringement**

In the event that any third party shall claim that the Company is infringing upon its patents or other intellectual property rights, the Company shall promptly notify NTI of such claims. Thereafter, NTI and the Company shall together determine an appropriate course of conduct in response to such claims.

### **ARTICLE 3**

## **3. IMPROVEMENTS AND MODIFICATIONS TO NTI INTELLECTUAL PROPERTY RIGHTS**

### **3.1 Ongoing Research and Development by NTI**

NTI shall continue its efforts in the research and development of the Process and in the improvement of the Product and shall make the results of such research and development available to the Company.

### **3.2 Improvements by NTI**

Any and all Knowhow, improvements or modifications, of whatever nature and description, made by or through NTI's efforts or acquired by it or coming under its control during the term of this Agreement which relate to the Product and which are useful or suitable for use in the Company's Business, shall be deemed to be covered by this Agreement and shall be made available to the Company without any payment in addition to the payments provided for in this Agreement. It is understood, however, that if NTI should acquire such Knowhow, improvements or modifications related to the Product by means of a license from third parties, then NTI's obligations hereunder shall be subject to the provisions of such license.

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### **3.3 Disclosure by NTI to the Company**

NTI agrees to promptly disclose to the Company any and all improvements or modifications to the NTI Intellectual Property Rights covered by this license, and any and all Knowhow and technical information which NTI may acquire with respect to or relating to any such improvements or modifications. Anything in this Agreement to the contrary notwithstanding, in the event that:

3.3.1 NTI should determine that any improvements or modifications to the Product are themselves patentable and the disclosure thereof would in any manner adversely affect NTI's ability to obtain a patent with respect thereto or would otherwise be adverse to its best interests, and

3.3.2 NTI intends to file or has filed a patent application with respect thereto, then NTI shall be under no obligation to make disclosure thereof to the Company until it has obtained adequate patent protection in the opinion of its patent counsel. When such patent protection has been obtained, the subject improvements or modifications will be disclosed to the Company and the same will fall within the scope of the License granted to the Company pursuant to this License Agreement.

### **ARTICLE 4**

## **4. GRANT OF RIGHT AND LICENSE BY THE COMPANY TO NTI**

### **4.1 Disclosure of Improvements to NTI by the Company**

The Company agrees to promptly disclose to NTI any improvements or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by the Company or which are made by or through its efforts, without any obligation by NTI to make payment therefor.

### **4.2 Grant of Right and License**

The Company hereby grants to NTI an exclusive, non-transferable, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and knowhow owned, controlled, acquired or which may otherwise be transferred or granted by the Company during the term of this Agreement to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements to NTI Intellectual Property Rights and to sublicense third parties to do the same. The term of such license shall continue so long as this Agreement and the Ancillary Agreements shall be in full force and effect.

#### **4.3 Obligations of The Company Concerning the Filing of New Patents**

The Company agrees that at NTI's request and at NTI's cost it will promptly file and diligently prosecute applications for letters patents in NTI's name on any and all patentable improvements to NTI Intellectual Property Rights coming into its purview in the Territory. The Company further agrees, upon NTI's request and at NTI's cost, to promptly file and diligently prosecute corresponding patent applications in NTI's name in such other countries outside the Territory as are designated by NTI.

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#### **4.4 Review of Potentially Infringing Technology**

In the event that the Company shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then the Company will forthwith provide NTI with whatever information it may have with respect thereto. NTI and the Company will then consult with one another as to an appropriate course of conduct:

- 4.4.1 taking appropriate legal action against such third party for infringement of NTI's Trade Secrets or other NTI Intellectual Property Rights; and/or
- 4.4.2 the advisability of purchasing, licensing or otherwise acquiring such technology, processes or patents of such third parties, in which event such rights as are acquired shall be extended to NTI pursuant to Article 4.2 hereof. Based upon their joint decision, the Company shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

### **ARTICLE 5**

#### **5. ROYALTIES**

##### **5.1 Basis for Royalties**

The Company shall pay the royalties to NTI which are provided for in this Article 5 in consideration of the grant of license as set forth in Article 2. Payment of the royalties shall be made throughout the term of this License Agreement as compensation for the use of NTI Intellectual Property Rights.

##### **5.2 Amount of Royalties**

The Company shall pay to NTI a royalty equal to seven and one-half percent (7.5%) of Net Sales from the Company's Business. Royalties shall be paid in United States Dollars to an account or accounts as may be designated by NTI from time to time.

##### **5.3 When a Sale is Deemed to Occur**

A sale shall be deemed to have occurred when Product has been billed, (if applicable) and delivered to and paid for by a customer.

##### **5.4 License Year**

The term "License Year" shall mean any twelve (12) month period ending on August 31, except that the first License Year shall commence on the Effective Date.

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##### **5.5 Statements to NTI**

Within thirty (30) days after the last day of each quarterly period in each License Year, the Company shall:

- 5.5.1 Prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the License Year:
- 5.5.2 The total amount of Net Sales (broken down in reasonable detail by individual products and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
- 5.5.3 The total amount of the royalties on such Net Sales (computed as hereinbefore provided) payable to NTI.
- 5.5.4 Pay to NTI the full amount of the royalties to which it is entitled for and with respect to the period or periods of the License Year covered by the statement(s) provided for in Article 5.5.1 hereof

##### **5.6 Books and Records**

The Company covenants and agrees:

- 5.6.1 That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI or NTI's independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Article 5.5.1;
- 5.6.2 That it will keep all such records and books of account at its principal office and will preserve each such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

5.6.3 That it will make such records, books of account, data and information available to NTI's representatives and to NTI's independent accountants and will give to such representative or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Article 5.5.1 hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The Company's auditors shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data to be supplied to NTI pursuant to Article 5.5.1 hereof. The cost of such reports shall be borne by the Company. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by NTI unless such representatives shall determine, to the satisfaction of the Company's auditors, that there is an understatement in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of NTI's representatives and/or accountants shall be borne by the Company.

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## ARTICLE 6

### **6. PROTECTION OF NTI TRADE SECRETS**

#### **6.1 Recognition of NTI Trade Secrets**

The Company acknowledges and agrees that (i) NTI Intellectual property Rights; (ii) other information confidential to NTI and designated herein and hereafter relating to the business of NTI, of the Company, and of NTI Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost data and cost accounting, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins are also included within the definition of NTI Trade Secrets set forth in Article 1.15 hereof and constitute valuable property rights of NTI and NTI Affiliates.

#### **6.2 Protection of NTI Trade Secrets**

The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI Trade Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and Ancillary Agreements. NTI Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI Trade Secret shall be in the public domain as the result of an act by the Company or any Agent (as hereinafter defined) thereof, then the Company shall nevertheless continue to keep such NTI Trade Secrets secret and inviolate.

#### **6.3 Protection of NTI Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of the Company**

Neither the Company, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location, or retain without NTI's prior written consent, the originals or copies of any NTI Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or the Company. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI Trade Secrets be strictly maintained both as to original documents and copies thereof

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6.3.1 Insofar as the officers, employees and consultants of the Company (herein collectively "Agents") who come in contact with NTI Trade Secrets are concerned, the Company shall cause such Agents to enter into NTI Trade Secrecy Agreements substantially in the form of Annex II to this Agreement. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

6.3.1.1 To the extent that the Company provides Masterbatch to Submanufacturers in requisite quantities to allow such Submanufacturers to manufacture the Product in the Territory in such volumes and forms as may be required for the Company's Business ("Submanufacturers"), it is understood that the Company may find it necessary to disclose certain NTI Trade Secrets to such Submanufacturers.

6.3.1.2 NTI Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI and who have entered into Trade Secrecy Agreements with the Company in a form approved by NTI, but substantially in the form of the Trade Secrecy Agreement set forth in Annex II hereof.

6.3.1.3 Moreover, only those NTI Trade Secrets which are absolutely essential for the manufacturing activities to be carried on by such Submanufacturers shall be disclosed to them.

6.3.2 The Company shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to manufacture the Product, incorporating Masterbatch, for the account of the Company. Upon completion of any order for the Product by a Submanufacturer, the Company shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer and so take title to the Product, and shall require the return of any Masterbatch not utilized in the Process.

6.3.3 The Parties hereby agree and acknowledge that NTI is an intended third party beneficiary of the Trade Secrecy Agreements, and that NTI may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 6.3.1 hereof) and/or Submanufacturers (as defined in Article 6.3.1.1 hereof) who have executed same.

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#### **6.4 Remedies in the Event of a Violation of Article 6 hereof**

It is understood and recognized by the Company that in the event of any violation by the Company of the provisions of Article 6 hereof, NTI's remedy at law will be inadequate and NTI will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief in any court of competent jurisdiction in order to protect the NTI Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity.

### **ARTICLE 7**

#### **7. COVENANT TO OBSERVE THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

##### **7.1 Doctrine of Corporate Opportunity and Observance Thereof**

It is the intent of the Parties to this Agreement, the Joint Venture Agreement and to the other Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under the Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

##### **7.2 Agreement Not to Divert Resources**

The Company, and NTI agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of the Product from the Company within the Territory except through the Company in furtherance of the Company's Business. During said term neither of such Parties shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material Breach of the Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 8 hereof; (iv) pursuant to Article 9 hereof; (v) or upon a Breach of Articles 6 or 7 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of this Article 7 for a period of two years following the date of termination, but shall at no time be permitted to use NTI Trade Secrets, as the case may be, for any activity outside the Company.

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#### **7.3 Remedies for Breach of Agreement Not to Divert Resources**

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 7 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to the Joint Venture and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

### **ARTICLE 8**

#### **8. TERM OF AGREEMENT**

##### **8.1 Indefinite Term**

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect indefinitely unless:

8.1.1 terminated by either Party in accordance with the provisions of Articles 6 or 7 hereof;

8.1.2 terminated by either Party by reason of a Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 9 hereof; or

8.1.3 any of the Ancillary Agreements or the Joint Venture Agreement shall be terminated by a Party in accordance with its terms. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

##### **8.2 Payment of Amounts Due**

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

##### **8.3 Non- Release of Obligations**

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 6, upon termination of this Agreement NTI Trade Secrets shall continue to be kept secret and confidential.

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### **ARTICLE 9**

#### **9. DEFAULT**

##### **9.1 Default**

A Default ("Default") hereunder shall exist in the event of:

- 9.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or
- 9.1.2 A material breach ("Breach") of any provision of the Joint Venture Agreement or the Ancillary Agreements other than Articles 6 and/or 7 hereof;
- 9.1.3 A breach of Articles 6 and/or 7 hereof.

## 9.2 Remedies upon Default

The remedies available to each Party in an instance of Default by another Party shall be as follows:

- 9.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party) provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- 9.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 6 and/or 7 hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

## 9.3 Non-Waiver of Rights

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 9.1 or 9.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 9.2 hereof), or on account of any subsequent Breach or Default by a Party.

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## ARTICLE 10

### 10. ARBITRATION

#### 10.1 Arbitration Mandatory

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

- 10.1.1 a dispute as to whether a Default exists;
- 10.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- 10.1.3 a dispute as to the validity of this Article 10;
- 10.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
- 10.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgement upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

- (a) based upon a Party's violation of the provisions of this Agreement relating to NTI Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 6 and 7 hereof.
- (b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

#### 10.2 Punitive Damages Excluded

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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## ARTICLE 11

### 11. GENERAL PROVISIONS

#### 11.1 Benefit of Parties

All of the terms and provisions of this Agreement, and of the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

## 11.2 Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

## 11.3 Cooperation

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Joint Venture Agreement and the Ancillary Agreements and to carry out the true intent and purpose thereof

## 11.4 Index and Captions

The captions of the Articles of this Agreement and subsection thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof shall be incorporated herein as written and made a part hereof

## 11.5 Waiver of Compliance

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

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## 11.6 Force Majeure

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

## 11.7 Notices

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL or equivalent, as follows:

If to NTI, to

Northern Technologies International Corporation  
6680 North highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to:

Philip M. Lynch  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

If to Company, to:

Zerust (UK) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YL  
Attention: - Company Secretary  
Tel: 01388 420 555  
Fax: 01388 420 777

16

Meadowfield Avenue  
Green Lane Industrial Estate  
Co. Durham  
DL16 6YL  
Tel: 01388 420 555  
Fax: 01388 420 777

or to such other address as may be specified in writing by any of the above.

#### **11.8 Entire Agreement**

This License Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the parties hereto. There are no prior representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement.

#### **11.9 Validity of Provisions**

Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### **11.10 Governmental Filings**

The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever material and information required of and available to it in connection with the preparation and filing of such reports.

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#### **11.11 Payments**

Any payment to be made by the Company to NTI pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due shall be made.

#### **11.12 Derivative Enforcement**

TP may, derivatively for and on behalf of the Company, enforce the terms hereof against NTI in the event of a material Breach or Default of this Agreement by NTI. In the event of derivative enforcement hereunder, the matter shall be submitted to arbitration in accordance with the provisions of Article 10 hereof.

#### **11.13 Changes Subject to Approval of TP**

The parties to this Agreement shall not change, modify or amend this Agreement in any respect without the prior written consent of TP.

#### **11.14 Applicable Law**

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

#### **11.15 RTPA**

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

By /s/ Philip M. Lynch

---

ZERUST (UK) LIMITED

By /s/

**APPROVAL OF TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**

By its signature hereto Taylor Packaging (Bishop Auckland) Limited approves and agrees to the terms and provisions of this License Agreement and the Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that Taylor Packaging (Bishop Auckland) Limited shall also have a direct right of action in its own name for the enforcement of the provisions of this Agreement.

TAYLOR PACKAGING (BISHOP  
AUCKLAND) LIMITED

By /s/ \_\_\_\_\_

**TRADE SECRECY AGREEMENT**

**THIS AGREEMENT**, dated this [ ] day of [ ]

**BETWEEN:**

- (1) **ZERUST (UK) LIMITED** a company incorporated under the laws of England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham. DL16 6YT (“the Company”);
- (2) [ ] (“the Agent”); and
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, USA (“NTI”) the principal place of business of which is Lino Lakes, Minnesota, USA.

WHEREAS, the Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information;

WHEREAS, the Company receives Technical Assistance and Marketing Support from Northern Technologies International Company (“NTI”) for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilizing the trademark “ZERUST” in the Territory (the “Product”); and

WHEREAS, the Company and NTI have expended and will continue to expend substantial sums of money to train the Agent in the Company’s business including but not limited to marketing the Product, and without which expenditures the Agent would have no such training in the Company’s business and marketing the Product; and

WHEREAS, the Company and NTI have imparted and will continue to impart to the Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of the Company and NTI;

NOW THEREFORE, in consideration of the employment of the Agent by the Company, the special training with respect to the Company’s business and the Product to be provided to him, and the salary to be paid to the Agent by the Company during the term of his employment, it is agreed as follows:

1. The Agent agrees that during his employment by the Company and for so long thereafter as the same has not (other than a result of disclosure by the Company) entered the public domain, he will not, without the prior written consent of the Company and NTI, (i) use outside of the service of the Company or (ii) disclose or divulge to anyone other than persons designated by the Company, any of the following:

- a. any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to, process, techniques, research, methods technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of the Company or NTI, knowledge of which is acquired by the Agent during the term of his employment by the Company (collectively, “Trade Secrets”).
  - b. any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively “Internal Data”).
2. The Agent shall at no time copy, remove from their proper location, or retain without the Company’s prior written consent, the originals or copies of such Trade Secrets or Internal Data.
  3. The Agent shall not, for a period of three (3) years subsequent to the termination of his employment with the Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with the Company in the marketing, sale of manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of the Company, if such employment would in its inherent nature require the Agent to utilize any of the Trade Secrets, Internal Data or portions thereof

4. The Agent and the Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of the Company, if NTI, in its sole judgement, chooses to do so, and may proceed directly against the Agent for any breach of the Agent's obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

SHAREHOLDERS JOINT VENTURE AGREEMENT

FOR THE ESTABLISHMENT OF TIANJIN ZERUST ANTI-CORROSION  
TECHNOLOGIES LTD.

BY AND BETWEEN

TIANJIN CHINA MARCH GROUP LTD.

AND

NTI ASEAN, LLC.

DATED AS OF 1 SEPTEMBER, 1999

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## SHAREHOLDERS JOINT VENTURE AGREEMENT

This Shareholders Joint Venture Agreement (“Agreement”), is entered into as of this 1<sup>st</sup> day of September, 1999, by and between Tianjin China March Group, Ltd.(“CMG”), a company organized under the laws of the People’s Republic of China (Party A), the principal place of business of which is Huoju Building Huayuan Industry Zone, Tianjin, People’s Republic of China and Party B, NTI ASEAN LLC a limited liability company organized under the laws of the State of Nevada, U.S.A. (“Party B), whose registered office is in Reno, Nevada, U.S.A.

WHEREAS, Party A and Party B desire to form a Joint Venture in the form of a new entity organized under the laws of the People’s Republic of China (the “Corporation”, as hereinafter defined) to engage in the Corporation’s Business (as hereinafter provided);

WHEREAS, this Joint Venture shall be called TIANJIN ZERUST ANTI-CORROSION TECHNOLOGIES LTD. (“TIANJIN ZERUST” or the “Corporation”);

NOW THEREFORE, in consideration of the promises and the mutual agreements, representations, warranties, covenants and provisions herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

### **ARTICLE 1 DEFINITIONS**

For the purposes of this Agreement, the following Definitions of terms shall apply:

1.1 Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between Tianjin China March Group, Ltd. (“PARTY A” as hereinafter defined), and NTI ASEAN (“PARTY B” as hereinafter defined), for the formation and governance of a new entity under the laws of the People’s Republic of China in the form of a limited liability company which shall be known as TIANJIN ZERUST Technology Limited Liability Company (“TIANJIN ZERUST” or the “Corporation”).

1.2 Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

1.2.1 Consulting Services Agreement between P ARTY A and TIANJIN ZERUST (“Consulting Services Agreement”);

1.2.2 License Agreement between PARTY Band TIANJIN ZERUST (“License Agreement”); and

1.2.3 Technical Assistance and Marketing Support Agreement between PARTY B and TIANJIN ZERUST (“Technical Assistance Agreement”).

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1.3 Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

1.4 PARTY A.

Tianjin China March Group, Ltd.(“CMG”), a limited liability company organized under the laws of the People’s Republic of China, the principal place of business of which is Tianjin HUA YUAN Industrial Zone, Huoju Building, People’s Republic of China, and the owner of a 50% interest in the Corporation pursuant to the terms of the Agreement. The ownership of CMG is as follows: Container (Beijing) Industrial Company, 20%; Tianjin CNCC Zhi Hua Trading Ltd., 5%; Ping Shan CNCC Si Qiang Group Company, 66% and CNCC 9%.

1.5 NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A. the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in Party B (as hereinafter defined).

1.6 Taiyo.

Taiyo Petroleum Gas Co Ltd. A Kabushiki Kaisha organized under the laws of Japan and the owner of a 50% interest in Party B (as hereinafter defined).

1.7 PARTY B.

NTI ASEAN, a Limited Liability Company organized under the laws of the State of Nevada, U.S.A. whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the Territory (as hereinafter defined), and the owner of a 50% interest in the Corporation pursuant to the Agreement.

1.8 NTI and/or PARTY B Affiliates.

All entities and/or individuals with which NTI and/or PARTY B has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Knowhow, Materials, Process, Product and/or Masterbatch anywhere in the world.

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1.8.1 NTI Affiliates.

Annex I hereof sets forth a list of the NTI Affiliates as of the date hereof.

1.8.2 Party B Affiliates.

Annex II hereof sets forth a list of the Party B Affiliates as of the date hereof.

1.9 Corporation or TIANJIN ZERUST.

TIANJIN ZERUST ANTI-CORROSION TECHNOLOGIES LTD., that entity created in the Territory by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation’s Business.

1.10 Corporation’s Business.

The Corporation’s Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.11 Territory.

The People’s Republic of China.

1.12 Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the People’s Republic of China for the Shareholders Joint Venture Agreement have been obtained and the Corporation has been duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.13 NTI Intellectual Property Rights.

The Knowhow, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or PARTY B Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI and or Party B

1.14 Knowhow.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications by NTI/Party B with respect thereto.

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1.15 Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

1.16 Process.

The procedure utilizing the Knowhow for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product under NTI/PARTY B Knowhow.

1.17 Product.

Corrosion inhibiting polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.18 Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.19 Trademark.

The name and style "Zerust", which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions.

1.20 NTI and/or Party B Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the Intellectual Property Rights of NTI, PARTY B, the Corporation and NTI and/or Party B Affiliates both in the Territory and elsewhere.

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1.21 Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the Corporation's Business over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's Business, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's Business as "Other Agreed Upon Technologies" to be treated as set forth in this Agreement.

1.22 Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties. Sales made to an entity which is not affiliated with any Party of this Agreement, through an Affiliated Entity, in accordance with article 4.3 of the Management and Sales Representation Agreement shall be included in total proceeds for the purpose of this definition of Net Sales.

1.23 At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscriptio "At Cost").

1.24 Shareholder/Holder of Equity Interests.

Any holder, from time to time, of Equity Interests of the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.25 Equity Interests.

Any validly issued Equity Interests of the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.26 Transfer of Equity Interests.

Any sale, transfer, assignment, pledge or disposition of Equity Interests of the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.27 Transferor of Equity Interests.

A Shareholder who declares an intention to Transfer Equity Interests of the Corporation and/or initiates the Transfer of Equity Interests.

1.28 Transfer Price for Equity Interests.

The price for the Equity Interests of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

1.29 Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Equity Interests pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.30 Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

**ARTICLE 2**  
**MUTUAL REPRESENTATIONS**

2.1 Representations of PARTY A.

PARTY A hereby represents and warrants to PARTY B as follows:

- 2.1.1 Organization and Standing. PARTY A is a limited liability company duly organized, validly existing and is in good standing under the laws of the People's Republic of China, where it has its principal place of business. Party A's registration certificate is attached hereto.
- 2.1.2 Due Authorization. This Agreement and the Ancillary Agreements to be executed pursuant to this Agreement have been duly authorized by appropriate corporate action and the same are binding upon PARTY A in accordance with their respective terms.
- 2.1.3 No Violation of Other Agreements. By entering into this Agreement, PARTY A will not violate or cause a default to occur under any other agreements to which it is a party.
- 2.1.4 Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of PARTY A, threatened against PARTY A which would have a material effect upon PARTY A's ability to perform under this Agreement and the Ancillary Agreements.

2.2 Representations of PARTY B

PARTY B hereby represents and warrants to PARTY A as follows:

- 2.2.1 Organization and Standing. PARTY B is a Limited Liability Company duly organized, validly existing and in good standing under the laws of the State of Nevada, U.S.A. A certificate of good standing for Party B's parent company, Northern Technologies International Corporation, is attached hereto:
- 2.2.2 Due Authorization. This Agreement and the Ancillary Agreements to be executed pursuant to this Agreement have been duly authorized by appropriate corporate action and the same are binding upon PARTY B in accordance with their respective terms.
- 2.2.3 No Violation of Other Agreements. By entering into this Agreement, PARTY B will not violate or cause a default to occur under any other agreements to which it is a party.
- 2.2.4 Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of PARTY B, threatened against PARTY B which would have a material effect upon PARTY B's ability to perform under this Agreement and the Ancillary Agreements.
- 2.2.5 Right to License. PARTY B has the right to license the NTI Intellectual Property Rights together with NTI/and or Party B Trade Secrets to TIANJIN ZERUST for use in the Territory.

**ARTICLE 3**  
**PURPOSES OF THE JOINT VENTURE**

3.1 Purposes of the Joint Venture.

- 3.1.1 For the purpose of improving economic and technological cooperation, importing NTI developed know-how for producing Volatile Corrosion Inhibiting polyethylene substances and other new techniques, NTI providing Masterbatch, producing Volatile Corrosion Inhibiting polyethylene substances in the Territory, increasing the quality of products, developing new products, raising economic efficiency, and to conduct the Corporation's Business for the benefit of the Parties;
- 3.1.2 Assisting in the export of high quality technical products from China by providing improved protective packaging technology from NTI;
- 3.1.3 To protect and preserve NTI Intellectual Property Rights together with NTI and/or PARTY B Trade Secrets in the Territory under the terms of this Agreement and the Ancillary Agreements;
- 3.1.4 To manufacture, promote and sell Product in the Territory under the terms hereof and of the Ancillary Agreements;
- 3.1.5 To provide for the implementation of the Ancillary Agreements for the benefit of the respective Parties; and
- 3.1.6 To manufacture, promote and sell Other Agreed Upon Technologies in the Territory.
- 3.1.7 Ergo the Business Scope of the Corporation as defined in Article 1.10 hereof is:
  - Producing Volatile Corrosion Inhibiting polyethylene products;
  - After-sales service thereof;
  - Research and development of new products in China as related to the Corporation's Business; and
  - Importing other advanced new techniques as related to the Knowhow, Product and Other Agreed Upon Technologies.

**ARTICLE 4**  
**FORMATION OF JOINT VENTURE CORPORATION**

4.1 Formation of Corporation.

As soon as practicable following the signing of this Agreement, the Parties shall form a new Corporation as a limited liability company under the laws of the People's Republic of China. Implementation of the formalities for incorporating the Corporation shall be the responsibility of PARTY A. The Corporation's name shall be TIANJIN ZERUST ANTI-CORROSION TECHNOLOGIES LTD. ("TIANJIN ZERUST"). The Corporation's place of business shall be No. 127 Tower 1 Huoju Building Huayuan Industrial Zone, Tianjin People's Republic of China or at such other place as may be determined by the Parties.

4.2 Articles of Incorporation.

A copy of the proposed Articles of Incorporation for TIANJIN ZERUST is attached hereto as Annex III. In case of any inconsistency between this Agreement and the Articles of Incorporation, different settlement should be taken according to the situation: when inconsistency is concerning the rights and liabilities between the Corporation and a third party, the provisions of the Articles of Incorporation shall be authoritative; when the inconsistency is only relating to the rights and liabilities among Shareholders, the provisions of this Agreement shall govern.

4.3 Capitalization.

Initially, the Registered Capital of TIANJIN ZERUST shall be divided between the Parties as follows:

PARTY A	-	50% equity interest
PARTY B	-	50% equity interest

Initial capitalization will be

US\$50,000 - PARTY A

US\$50,000 - PARTY B

4.4 Payment for Equity Interest by the Parties.

The Parties shall pay for their Equity Interests, in full, upon issuance of the certificate of approval for the Corporation by COFTEC, in accordance with the laws of the People's Republic of China and shall cause the Corporation to issue evidence of their Equity Interest to Party A and Party B paid for in accordance with the terms hereunder forthwith.

4.5 Parallel Rights to Subscribe for Additional Equity Interest.

If additional Equity Interests are thereafter to be issued by the Corporation, the Holders of Equity Interests shall have the right to purchase such additional Equity Interests in the same proportion as their holdings of Equity Interests at the time of the issuance thereof.

**ARTICLE 5**  
**PURPOSE, EXECUTION AND INCORPORATION OF ANCILLARY**  
**AGREEMENTS HEREIN**

5.1 Execution of Ancillary Agreements.

In furtherance of the Corporation's Business, the Parties and the Corporation shall enter into various Agreements (herein "Ancillary Agreements") which shall also be effective as of the Effective Date. Such Ancillary Agreements and the designated Parties thereto are as follows:

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5.1.1 Consulting Services Agreement For Management and Sales Representation between PARTY A and the Corporation;

5.1.2 License Agreement between PARTY B and the Corporation; and

5.1.3 Technical Assistance and Marketing Support Agreement between PARTY B and the Corporation.

5.2 Ancillary Agreements Incorporated Herein and Made Part Hereof.

The Ancillary Agreements shall be incorporated herein and made a part hereof.

**ARTICLE 6**  
**ELECTION OF DIRECTORS AND DESIGNATION OF**  
**THE CEO OF THE CORPORATION**

6.1 Election of Directors.

The Corporation shall have a Board of Directors consisting of six Directors. PARTY A and PARTY B shall each have the right to designate an equal number of Directors. PARTY A and PARTY B, as Holders of Equity Interests in the Corporation, agree that at meetings of Holders of Equity Interests they shall cast their entire vote in favor of any person(s) designated by the other Party as Directors or Substitute Directors (as hereinafter defined) to fill their pro rata share of Director positions in accordance with the provisions hereof. The three directors proposed by Party A are Zhang Bing Hua, Meng Tao and Sun Guan Fu. The three directors proposed by Party B are Philip M. Lynch, Vincent 1. Graziano and Haruhiko Rikuta.

6.2 Substitute Directors.

A Party shall have the right to designate a Substitute Director ("Substitute Director") in the event that a Director previously designated by it shall resign, retire, die, or otherwise be unable or unavailable to serve.

6.3 Designation of Chief Executive Officer of the Corporation.

One of the Directors designated by PARTY A shall be the Chief Executive Officer ("CEO") of the Corporation, whose responsibility and authority shall be to implement this Agreement, the Ancillary Agreements and the Articles of Incorporation, and such Resolutions as may be passed from time to time by the Board of Directors of the Corporation. Designation of the Chief Executive Officer by PARTY A shall, however, be subject to the approval of PARTY B, which approval shall not be unreasonably withheld.

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**ARTICLE 7**  
**RESPONSIBILITIES AND DUTIES OF THE PARTIES**

7.1 Responsibilities of the Parties.

It shall be the responsibility of all Parties to effect the Purposes of the Shareholders Joint Venture Agreement pursuant to Article 3 hereof.

7.2 Specific Responsibilities and Duties of Individual Parties.

Specific responsibilities and duties which are to be fulfilled by individual Parties to the Shareholders Joint Venture Agreement are set forth in the Ancillary Agreements.

7.3 Actions Requiring Consent of All Parties.

In addition to other provisions of the Shareholders Joint Venture Agreement and/or the Ancillary Agreements requiring the consent or approval of all the Parties, the unanimous specific written consent of each Party hereto shall be required before the Corporation may take any of the following actions:

7.3.1 Establish annual operating budgets for the Corporation which the Chief Executive Officer of the Corporation shall prepare and submit no later than October 31st of each year for the following fiscal year;

7.3.2 Determine the amount of funds to be allocated to the purchase of Masterbatch, Product, and Other Agreed Upon Technologies;

7.3.3 Sell, assign, transfer, exchange or otherwise dispose of any assets of the Corporation, other than in the ordinary course of business;

7.3.4 Mortgage, pledge, encumber or hypothecate any of the assets of the Corporation;

- 7.3.5 Change the Corporation's independent chartered or certified public accountants after the same have been appointed by the mutual consent of the parties;
- 7.3.6 Change or allow a change in the accounting procedures employed in maintaining the Corporation's books of account or in preparing financial statements with respect to the operations of the Corporation or the Corporation's Business;
- 7.3.7 Obligate the Corporation as a surety, guarantor or accommodation party to any obligation, lend funds belonging to the Corporation to any third party, or extend credit to any person, firm or entity, on behalf of the Corporation, other than in the ordinary course of business;

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- 7.3.8 File material litigation against third parties on behalf of the Corporation or confess judgment on behalf of the Corporation;
- 7.3.9 Amend the Articles of Incorporation of the Corporation;
- 7.3.10 Cause the Corporation to issue any common shares or any debt securities or to increase its capitalization;
- 7.3.11 Borrow any money on behalf of the Corporation requiring a mortgage or other form of security in favor of the lender, except that a security interest in inventory and receivables authorized by the Chief Executive Officer of the Corporation in the ordinary course of business shall be permissible;
- 7.3.12 Cause the Corporation to merge or consolidate with or into any other legal entity or acquire any other legal entity;
- 7.3.13 Cause the Corporation to dissolve or to liquidate;
- 7.3.14 Cause the Corporation to engage in any business activity which is outside the scope of the Corporation's Business;
- 7.3.15 Form any subsidiary or other legal entity;
- 7.3.16 Cause the Corporation to enter into a transaction or business relationship with any of the Parties hereto, other than as may be expressly provided for by this Agreement and/or the Ancillary Agreements, other than on an arm's-length basis, and on prices and terms no more favorable to the Party than could have been obtained from an independent third party;
- 7.3.17 Establish pricing, discount structures, and terms of trade for Product or Other Agreed Upon Technologies in the Territory;
- 7.3.18 Sell, license or otherwise convey NTI Intellectual Property Rights or NTI and/or PARTY B Trade Secrets, or PARTY A Trade Secrets (as hereinafter defined), or any right thereto deriving from the Shareholders Joint Venture Agreement or the Ancillary Agreements, to any third party;
- 7.3.19 Engage or dismiss the Chief Executive Officer and other key employees of the Corporation and/or fix compensation for such personnel, including bonuses and perquisites; and
- 7.3.20 Acquire fixed assets for and on behalf of the Corporation.

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#### 7.4 Special Resolutions.

Upon reaching unanimous agreement as to the actions set forth in Article 7.3, hereof, the Parties shall vote their Equity Interests to adopt any special resolutions to implement same as may be required by the laws of the People's Republic of China.

### **ARTICLE 8** **DEVELOPMENT OF THE CORPORATION'S STAFF**

#### 8.1 Development of Corporation's Staff.

Depending on the development of business and within the judgment of the Board of Directors, the Corporation may engage its own personnel, as appropriate, to assist the Chief Executive Officer in the performance of his duties and responsibilities, and to implement actions taken by the Parties in performance of their duties and responsibilities hereunder and as set forth in the Ancillary Agreements.

#### 8.2 Implementation of Corporate Governance Policies Appropriate to the Territory.

PARTY A shall be responsible to ensure that Corporate Governance Policies appropriate to the Territory, including but not limited to Human Relations, Compensation, Terms of Employment, Taxation and Employee Benefits, are implemented and maintained by the Corporation with respect to all Agents (as hereinafter defined), third party providers to the Corporation, and other individuals and entities which now have or which come to have a commercial or financial relationship of any nature with the Corporation.

### **ARTICLE 9** **PAYMENTS TO RELATED PARTIES**

#### 9.1 Payment to Related Parties in the Ordinary Course of Business.

Payments shall be made to the Parties for services performed or transactions entered into in the ordinary course of business as the result of cash generated from Net Sales of Product in accordance with this Agreement and the Ancillary Agreements. Amounts shall be paid to PARTY A and PARTY B as detailed in 9.1.1 to 9.1.4.

- 9.1.1 Party A or a company assigned by Party A shall receive 5% of Net Sales of Product as its total compensation for consulting services to be rendered to the Corporation pursuant to the Consulting Services Agreement referred to in Article 5 hereof;
- 9.1.2 Party A may, if appropriate, receive a sales commission of 10% of Net Sales of Product pursuant to the Consulting Services Agreement For Management and Sales Representation referred to in Article 5 hereof;
- 9.1.3 Party B shall receive 7.5% of Net sales of Product as its total compensation pursuant to the License Agreement referred to in Article 5 hereof; and
- 9.1.4 Party B shall receive payment for services rendered under the Technical Assistance Agreement referred to in Article 5 hereof. Such payment for services shall under no circumstances exceed 7.5% of Net Sales of Product.

9.2 Payments to Related Parties for Services Performed with Respect to Other Agreed Upon Technologies in the Ordinary Course of Business.

Compensation to the Parties with respect to Other Agreed Upon Technologies shall be determined on a case-by-case basis, as specific opportunities to add Other Agreed Upon Technologies to the scope of the Corporation's Business may arise. It is the intent of the Parties, however, to share joint responsibility for the proper commercial and technical development of Other Agreed Upon Technologies in the Territory; and in general, each Party to this Agreement shall be responsible to perform substantially the same set of functions with respect to Other Agreed Upon Technologies that it does with respect to Product. It shall therefore be a general precept of this Agreement that compensation, except the compensation and payment stated in 16.2 and 16.3 of this Agreement, to the Parties for services rendered with respect to Other Agreed Upon Technologies shall be equal, reflecting the even contributions of each, and shall be allocated within the format of the Ancillary Agreements.

9.3 Payments to Related Parties for Services Related to Special Programs for Promotion and Development.

After the payments and distributions referred to in Articles 9.1 and 9.2 have been made to the Parties, the Parties may determine that additional Special Programs for Promotion and Development ("Special Programs") may be necessary, desirable or appropriate in any given fiscal year to accelerate the pace or redirect the progression and evolution of the Corporation. In such event, upon prior unanimous approval by the Parties, additional funds may be allocated by the Corporation for Special Programs to be conducted by the Parties, which shall comport joint responsibility in accordance with the percentage allocations set forth in Article 9.1 and 9.2 hereof.

9.4 Limitation of Compensation to Related Parties.

Except as otherwise provided in this Agreement and the Ancillary Agreements, all financial transactions between the Corporation and the Parties other than as set forth in Article 9 hereof shall be At Cost.

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**ARTICLE 10**  
**COVERAGE OF FINANCIAL**  
**SHORTFALLS BY THE PARTIES**

10.1 Coverage of Financial Shortfalls by the Parties.

In the event that there shall be a shortfall in any given fiscal year, then this shortfall shall be borne by PARTY A and PARTY B in proportion to their respective fees and other income received pursuant to Article 9 hereof, to be reimbursed in the first instance out of the compensation set forth in Articles 9.1, 9.2, 9.3 and 9.4 hereof for that year, and thereafter out of the equity of the Corporation until the same shall be exhausted; but neither Party shall have any obligation to cover shortfalls beyond that point. The Parties may, however, in the sole discretion of each, elect to provide financial support over and above their equity in the Corporation.

**ARTICLE 11**  
**FINANCIAL BOOKS AND RECORDS -- BANKING**

11.1 Fiscal Year.

The first fiscal year of the Corporation shall commence on the date the Corporation is incorporated and end on December 31. Thereafter, the fiscal year of the Corporation shall commence every year on January 1 and end on December 31. The books of accounts shall be closed at the end of each fiscal year, and audited statements shall be prepared by an internationally recognized firm of chartered or certified public accountants showing the financial condition of the Corporation and the results of its operations for the fiscal year. Copies of the audited annual statements and unaudited monthly and quarterly statement shall be provided to each of the Parties.

11.2 Access to Books and Records.

The Corporation's financial books, records and statements of account shall be kept at the principal place of business of the Corporation, and each Party shall have the right at all reasonable times to inspect and copy same.

11.3 Bank Accounts.

All of the Corporation's funds shall be deposited in its name in such bank account or accounts as shall be designated from time to time by the Board of Directors. Withdrawals from such account or accounts shall be made by checks or other appropriate instruments signed by the Chief Executive Officer and such other officers or persons as the Board of Directors shall from time to time duly designate.

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**ARTICLE 12**  
**INSURANCE**

12.1 Independent Insurance Coverage.

The Parties shall cause the Corporation to obtain and to maintain property damage, product liability, public liability and other liability, casualty, and general insurance for the Corporation's Business, as deemed adequate for the proper conduct of the Corporation's Business in the Territory. In the event that insurance is provided by means of an amendment or rider to existing insurance maintained by any of the Parties, then the cost thereof, to the extent that the basic insurance cost of such party is thereby increased, shall be borne by and paid for by the Corporation.

12.2 Inclusion of the Corporation as a Named Insured Under the Insurance Coverage of a Party.

To the extent possible, each Party shall include the Corporation as a named insured under its own insurance coverage:

12.2.1 PARTY B shall notify NTI's product liability insurance carrier that the Corporation will be importing Materials and Masterbatch from PARTY B to manufacture and sell Product under the Trademark utilizing NTI and/or PARTY B Trade Secrets and NTI Intellectual Property Rights in the Territory. A summary of NTI product liability and other insurance coverage as it may be extended is attached hereto Annex IV; and any material change thereto shall be reported forthwith to PARTY A; and

12.2.2 PARTY A shall notify its insurer of the scope of activities and responsibilities it shall carry out for the Corporation, both under the Joint Venture Agreement, and under the applicable Ancillary Agreements, including the Management Agreement. A summary of PARTY A product liability and other insurance coverage as it may be extended is attached hereto as Annex V; and any material change thereto shall be reported forthwith to PARTY B.

**ARTICLE 13**  
**PROTECTION OF NTI AND/OR PARTY B TRADE SECRETS**

13.1 Recognition of NTI and/or PARTY B Trade Secrets.

PARTY A acknowledges and agrees that (i) NTI Intellectual Property Rights; (ii) NTI and/or PARTY B Trade Secrets; (iii) the Knowhow, Materials, Process, Product and Masterbatch and (iv) other information deemed confidential by NTI and PARTY B and designated herein and hereafter relating to the business of NTI and/or PARTY B, of the Corporation, and of NT I and/or PARTY B Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are also included within the definition of NTI and/or PARTY B Trade Secrets set forth in Article 1.20 hereof and constitute valuable property rights of NTI, PARTY B and NTI and/or PARTY B Affiliates.

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13.2 Protection of NTI and/or PARTY B Trade Secrets.

PARTY A agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI and/or PARTY B Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and the Ancillary Agreements. NTI and/or PARTY B Trade Secrets shall not be disclosed by PARTY A to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of PARTY A, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI and/or PARTY B Trade Secret shall be in the public domain as the result of an act by PARTY A or any Agent thereof (as hereinafter defined), then PARTY A shall nevertheless continue to keep such NTI and/or PARTY B Trade Secret secret and inviolate.

13.3 Protection of NT I and/or PARTY B Trade Secrets by Agents of PARTY A.

Neither PARTY A, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without NTI or PARTY B's prior written consent, the originals or copies of any NTI and/or PARTY B Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI and/or PARTY B or the Corporation. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI and/or PARTY B Trade Secrets be strictly maintained both as to original documents and copies thereof.

13.3.1 Insofar as the officers, employees and consultants of PARTY A and/or the Corporation, (herein collectively "Agents") who come in contact with NTI and/or PARTY B Trade Secrets are concerned, PARTY A shall cause such Agents to enter into NTI and/or PARTY B Trade Secrecy Agreements substantially in the form of Annex VI to this Agreement. PARTY A shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI and/or PARTY B Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

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13.3.2 The Parties hereby agree and acknowledge that both NTI and PARTY B are intended third party beneficiaries of the NTI and/or PARTY B Trade

Secrecy Agreements, and that NTI and/or PARTY B may each, in its sole discretion, on its own behalf or derivatively and/or on behalf of the Corporation, directly enforce the provisions of the NTI and/or PARTY B Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 13.3.1. hereof) and/or Sub-manufacturers (as defined in Article 7.3.1(i) of the License Agreement and in Article 7.3.1 (i) of the Technical Assistance Agreement) who have executed same.

#### 13.4 Remedies in the Event of a Violation of Article 13 Hereof.

It is understood and recognized by PARTY A that in the event of any violation by PARTY A and/or its Agents of the provisions of Article 13 hereof, NTI and/or PARTY B's remedy at law will be inadequate and NTI and PARTY B will suffer irreparable injury. Accordingly, PARTY A consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and/or PARTY B and in any court of competent jurisdiction to protect NTI and/or PARTY B Trade Secrets. Such relief shall be in addition to any other relief to which NTI and/or PARTY B may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

### **ARTICLE 14** **PROTECTION OF PARTY A TRADE SECRETS**

#### 14.1 Identification of PARTY A Trade Secrets.

The Parties acknowledge that it is not intended that PARTY A impart its technology or trade secrets to the Corporation or, through the Corporation, to PARTY B. The Parties recognize, however, that PARTY A may impart information to the Corporation to further the Corporation's Business, which PARTY A considers to be proprietary in nature and thus wishes to be kept confidential, and that such Party A Trade Secrets may come to be imparted to PARTY B through the Corporation. In order for such information to be considered under the category of PARTY A Trade Secrets, PARTY A must alert the Corporation and PARTY B to the fact that it intends to impart information it considers proprietary to the Corporation, in writing, in advance of imparting such information, and clearly identify such information as a PARTY A Trade Secret ("PARTY A Trade Secrets").

#### 14.2 Protection of PARTY A Trade Secrets.

PARTY B agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all PARTY A Trade Secrets which it now knows or may hereafter come to know as a result of this Shareholders Joint Venture Agreement and the Ancillary Agreements. PARTY A Trade Secrets shall not be disclosed by PARTY B to third parties and shall be kept secret and confidential except, (i) to the extent that the same have entered into the public domain by means other than the improper actions of PARTY B, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a PARTY A Trade Secret shall be in the public domain as the result of an act by PARTY B or any Agent thereof, then PARTY B shall nevertheless continue to keep such PARTY A Trade Secret secret and inviolate.

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#### 14.3 Protection of PARTY A Trade Secrets by Agents of PARTY B.

Neither PARTY B, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without PARTY A's prior written consent, the originals or copies of any PARTY A Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as PARTY A Trade Secrets be strictly maintained both as to original documents and copies thereof.

14.3.1 Insofar as the officers, employees and consultants of PARTY B (herein collectively "Agents") who come in contact with PARTY A Trade Secrets are concerned, PARTY B shall cause such Agents to enter into PARTY A Trade Secrecy Agreements substantially in the form of Annex VII to this Agreement. PARTY B shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the PARTY A Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

14.3.2 The Parties hereby agree and acknowledge that PARTY A is an intended third party beneficiary of the PARTY A Trade Secrecy Agreements, and that PARTY A may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the PARTY A Trade Secrecy Agreements and/or any breach thereof against any and all Agents of PARTY B (as defined in Article 14.3.1 hereof) who have executed same.

#### 14.4 Remedies in the Event of a Violation of Article 14 Hereof.

It is understood and recognized by PARTY B that in the event of any violation by PARTY B and/or its Agents of the provisions of Article 14 hereof, PARTY A's remedy at law will be inadequate and PARTY A will suffer irreparable injury. Accordingly, PARTY B consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by PARTY A and in any court of competent jurisdiction to protect PARTY A Trade Secrets. Such relief shall be in addition to any other relief to which PARTY A may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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### **ARTICLE 15** **COVENANT TO OBSERVE** **THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

#### 15.1 Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Shareholders Joint Venture Agreement and to the Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under this Shareholders Joint

Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or Other Agreed Upon Technologies and/or the application of NTI Intellectual Property Rights in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

#### 15.2 Agreement Not to Divert Resources.

PARTY A and PARTY B agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term neither of such Parties shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Agreement is terminated: (i) because of a material Breach of this Shareholders Joint Venture Agreement by a Party; (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 17 hereof; (iv) pursuant to Article 18 hereof; or (v) upon a Breach of Articles 13, 14 or 15 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 15 of this Shareholders Joint Venture Agreement for a period of three years following the date of termination, but shall at no time be permitted to use NTI and/or PARTY B Trade Secrets or PARTY A Trade Secrets, as the case may be, for any activity outside the Corporation.

#### 15.3 Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 15 hereof by a Party, the remedy at law will be inadequate and that the other Party to this Shareholders Joint Venture Agreement shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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### **ARTICLE 16** **GRANT OF RIGHT AND LICENSE BY PARTNER TO NTI** **CONCERNING IMPROVEMENTS AND MODIFICATIONS TO NTI** **INTELLECTUAL PROPERTY RIGHTS**

#### 16.1 Disclosure to NTI of Improvements to NTI Intellectual Property Rights by PARTY A.

PARTY A agrees to disclose promptly to PARTY B any improvements or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by PARTY A or which are made by or through its efforts, without any obligation by NTI or PARTY B to make payment therefor during the effective time of the Agreement.

#### 16.2 Grant of Right and License to NTI.

PARTY A hereby grants to NTI a sole, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and know-how owned, controlled, acquired or which may otherwise be transferred or granted to PARTY A during the term of this Agreement to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements in and modifications to NTI Intellectual Property Rights together with the Know-how, Materials, Process, Product and/or Masterbatch and/or to sublicense third parties to do the same during the effective time of the Agreement. But NTI/PARTY B should fully reimburse all the expenses incurred PARTY A spent for the development of such improvements in and/or modifications to the Know-how, NTI and/or Party B Trade Secrets and NTI Intellectual Property Rights provided that NTI/Party B are informed of and agree to any research program to be conducted by Party A, in writing, in advance of incurring any expenses therefrom. The reimbursement is not included in the compensation and payment stated in 9.1, 9.2, 9.3 and 9.4.

#### 16.3 Obligations of PARTY A Concerning the Filing of New Patents.

PARTY A agrees that at NTI's request and at NTI's cost it will promptly file and diligently prosecute applications for letters patent in NTI's name on any and all patentable improvements to NTI Intellectual Property Rights coming into its purview in the Territory. PARTY A further agrees, upon NTI's request and at NTI's cost, that it will promptly file and diligently prosecute corresponding patent applications in NTI's name in such other countries outside the Territory as are designated by NTI and/or PARTY B. But when PARTY A apply for patents in NTI/PARTY B's name on the invention made or grant by PARTY A, PARTY A have the right to state in the letters of patent that PARTY A is the inventor, and shall get paid by NTI/PARTY B. This payment is on a Case-by-Case basis, and shall be a negotiable decision by and between PARTY A and NTI/PARTY B. The payment is not included in the compensation and payment stated in 9.1, 9.2 and 9.3.

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#### 16.4 Review of Potentially Infringing Technology.

In the event that PARTY A shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then PARTY A will forthwith provide NTI with whatever information it may have with respect thereto. NTI and/or PARTY B and PARTY A will then consult with one another as to:

- 16.4.1 Taking appropriate legal action against such third party for infringement of NTI Intellectual Property Rights together with NTI and/or PARTY B Trade Secrets; and/or
- 16.4.2 Purchasing, licensing or otherwise acquiring rights to such technology, processes or patents of such third parties, in which event such rights as are acquired shall be extended to NTI pursuant to Article 16.2 hereof. Based upon their joint decision, PARTY A shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

16.5 Disclosure to PARTY A of Improvements to NTI Intellectual Property Rights by NTI/PARTY B.

NTI/PARTY B agrees to disclose to PARTY A any improvements or modifications to NTI Intellectual Property Rights, which come to be learned by NTI/PARTY B or which are made by or through its efforts during the effective time of the Agreement. The disclosure is still included in the NTI/PARTY B compensation stipulated in 9.1.3 and 9.1.4 hereof., without any obligation by PARTY A or the Corporation to make additional payment therefor.

16.6 Grant of Right and License to the Corporation

NTI/PARTY B further agrees to grant a sole license in the Territory under the disclosure of the improvements or modifications to the Corporation. The Corporation shall use the improvements or modifications to NTI Intellectual Property Rights to make, use and sell Product for the purpose of the profit in the Territory. The Corporation is not obligated to make any additional payment therefor.

## **ARTICLE 17** **TERM OF AGREEMENT**

17.1 Term of Cooperation.

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for a term of 40 years.

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17.2 Termination.

This Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

17.2.1 Terminated by either Party in accordance with the provisions of Articles 13, 14 and/or 15 hereof;

17.2.2 Terminated in accordance with Article 17.3 and/or Article 17.4 hereof;

17.2.3 Terminated by either Party by reason of a material Breach or Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 18 hereof; or

17.2.4 Terminated automatically, in conjunction with the termination of any of the Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Ancillary Agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

17.3 Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party may, upon six (6) months prior written notice given to such Party, terminate this Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

17.4 Termination Upon Bankruptcy or Insolvency.

If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

17.4.1 Payments due under this Agreement for past obligations are rendered in full;

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17.4.2 Payments due under this Agreement for present obligations are rendered pursuant to a payment schedule acceptable to the other Party; and

17.4.3 All other provisions of this Agreement are complied with fully.

17.5 Payment of Amounts Due.

In the event of termination of this Agreement, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

17.6 Cooperation Upon Termination.

Upon termination of this Shareholder Joint Venture Agreement, the Corporation shall cooperate with PARTY A in transferring PARTY A Trade Secrets to PARTY A or its designated assignee; and PARTY A and Corporation shall cooperate with NTI and Party B in transferring NTI Intellectual Property Rights, and NTI and/or Party B Trade Secrets to NTI, Party B or their designated assignee.

17.7 Non-Release of Obligations.

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Articles 13 and 14, upon termination of this Agreement, NTI Intellectual Property Rights, together with NTI and/or PARTY B Trade Secrets and PARTY A Trade Secrets shall continue to be kept secret and confidential.

#### 17.8 Cessation of Rights Upon Termination.

Upon the termination of this Agreement for reason of Default or Breach of this Agreement or of an Ancillary Agreement, all rights which the Defaulting Party may have had under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 19 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

#### 17.9 Liquidation of the Corporation and Winding-up of the Corporation's Business Upon Termination.

Upon termination of this Agreement:

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17.9.1 The Corporation shall be liquidated forthwith; and, following payment of all known just obligations of the Corporation, and establishment of a reasonable reserve to pay such just obligations of the Corporation as are unknown at the time of liquidation of the Corporation, the remaining assets shall be divided equally between the Parties pursuant to an independent valuation thereof by the outside auditors of the Corporation or, in the event Arbitration has been invoked in accordance with Article 19 hereof, by the arbitration panel. Notwithstanding the foregoing:

(i) PARTY A Trade Secrets, as defined in Article 14 hereof, shall not constitute an asset of the Corporation upon termination of this Agreement, but rather shall revert to PARTY A in accordance with Article 17.6. hereof; and

(ii) NTI Intellectual Property Rights, together with NTI and/or PARTY B Trade Secrets, as defined in Article 13 hereof, shall not constitute an asset of the Corporation upon termination of this Agreement, but rather shall revert to NTI and/or PARTY B in accordance with Article 17.6. hereof.

17.9.2 The Corporation's Business shall be wound up forthwith; and no further orders shall be accepted by the Corporation for Product or for Other Agreed Upon Technologies, provided that orders for Product and/or Other Agreed Upon Technologies which were received by the Corporation prior to termination of this Agreement shall be filled by the Corporation either out of its own existing inventory and/or its own manufacturing capabilities, or through imports from NTI or a PARTY B Affiliate, as appropriate.

### **ARTICLE 18** **DEFAULT**

#### 18.1 Event of Default.

A Default ("Default") hereunder shall exist in the event of:

18.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or

18.1.2 A material Breach ("Breach") of any provision of this Shareholders Joint Venture Agreement other than Articles 13, 14 or 15 hereof, or any of the Ancillary Agreements; and/or

18.1.3 A Breach of Articles 13, 14 and/or 15 hereof.

#### 18.2 Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

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18.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default or Breach shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party; provided, however, that if the Party in Breach or Default commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of its other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

18.2.2 Notwithstanding the foregoing, in the event of a violation of Articles 13, 14 and/or 15 hereof by a Party hereto, the other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Breach of Article 13, 14 and/or 15 hereof as provided herein.

#### 18.3 Non-Waiver of Rights.

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 18.1 or 18.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 18.2 hereof), or on account of any subsequent Breach or Default by a Party.

**ARTICLE 19**  
**DISPUTE RESOLUTION**

19.1 Dispute Resolution by Arbitration.

Any and all disputes; except as excluded under Article 19.2 hereof, which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Corporation, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including, but not limited to, the following:

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- 19.1.1 A dispute as to whether a Default exists;
  - 19.1.2 A dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
  - 19.1.3 A dispute as to the validity of this Article 19;
  - 19.1.4 A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
  - 19.1.5 A dispute as to the rights, obligations or liabilities of the Parties hereunder.

19.2 Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Agreement:

- 19.2.1 Arbitration may not be invoked regarding matters expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 19.2.2 Arbitration may not be invoked if a Party violates the provisions of this Agreement relating to NTI Intellectual Property Rights, NTI and/or PARTY B Trade Secrets, PARTY A Trade Secrets or Corporate Opportunity. In such event, the remedies set forth in Articles 13, 14, 15 and/or 18 hereof shall apply.

19.3 Conduct of Arbitration Proceedings.

All disputes concerning this Agreement or arising out of the exercise hereof shall be settled by friendly agreement of the Parties; where no agreement can be reached such disputes shall be submitted for arbitration. Such Arbitration shall be conducted in English and shall be carried out by the Arbitration Commission of the International Chamber of Commerce of Singapore under the UNCITRAL Arbitration Rules. The laws of the People's Republic of China shall apply. The decision of this Arbitration Panel is final and binding upon both Parties. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the Arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

19.4 Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this Agreement or any of the Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

19.5 Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**ARTICLE 20**  
**PROSCRIPTION OF AUTHORITY**  
**OF THE PARTIES TO BIND EACH OTHER**

Nothing contained in this Agreement shall be construed to constitute the Parties as agents for one another or to render any Party liable for any debts, liabilities or obligations of the other ("Indebtedness"). It is understood that such Indebtedness, if incurred, is outside the scope of this Agreement and the Ancillary Agreements. No Party shall have the authority to extend or to utilize the credit of the other, to extend credit in the other Party's name, or to represent that it is authorized to do so without the express written consent of the other. In the event that a creditor of a Party shall assert a claim against that Party based on such Indebtedness, then the Party who in fact is obligated thereon shall indemnify and hold the other Party harmless from and against any losses, claims or liabilities by reason thereof.

**ARTICLE 21**  
**RECIPROCAL INDEMNIFICATION**

Each Party shall indemnify and hold the other and the Corporation harmless from and against any and all claims, demands, actions, rights of action, damages, costs and expenses which shall or may arise by virtue of anything done or omitted to be done by the indemnifying Party (or through or by its Agents) in

breach of the terms of this Agreement. The indemnifying Party shall be notified promptly of the existence of the claims, demands, actions or rights of action and shall be given reasonable opportunity to defend same in which defense the Party to be indemnified shall cooperate. If the indemnifying Party fails forthwith upon notice to assume such defense, then the Party to be indemnified may proceed with the defense thereof including settlement, in which case the indemnifying Party shall bear the costs of defense including attorneys' fees and shall pay the amount of any judgment or settlement.

## **ARTICLE 22**

### **TRANSFER OF EQUITY INTEREST**

#### 22.1 Restrictions on Transfer of Equity Interests.

Following the initial issuance of Equity Interests of the Corporation pursuant to Article 4 hereof, no Holder of Equity Interests shall Transfer any Equity Interests or any right, title or interest herein owned or held by it except and only in strict accordance with the terms and subject to the restrictions, rights, obligations and options hereinafter set forth. The Corporation, PARTY A and PARTY B shall be under no obligation to recognize as holder of Equity Interests, or Transferee of any of a Shareholder's Equity Interests which were transferred to such Transferee, other than in strict compliance with the terms and provisions of this Agreement and, unless so complied with, any such Transferee of such Equity Interests shall have no rights as a Holder of Equity Interests of the Corporation with respect of such Equity Interests.

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#### 22.2 Right of First Refusal to Acquire Equity Interests.

Any Holder of Equity Interests receiving a bona fide offer ("Offer") for the purchase of its Equity Interests, and who wishes to Transfer such Equity Interests to a proposed Transferee in accordance with such Offer shall, prior to making any Transfer of Equity Interests, give written notice (hereinafter called "Notice") thereof to the Corporation and to the other Holders of Equity Interests. Such Notice shall enclose a copy of the offer and shall set forth the name and address of the proposed Transferee, the selling price, the terms of payment, and all other significant terms and conditions relating thereto. The proposed Transferor of Equity Interests shall furnish to the Corporation and to the other Holders of Equity Interests such additional information concerning the prospective Transfer of Equity Interests and/or Transferee as any of them may reasonably request. In order that the other Holders of Equity Interests may be better able to determine the compatibility of the proposed Transferee as a Shareholder of the Corporation, the proposed Transferor of Equity Interests shall arrange for the other Holders of Equity Interests, if so requested, to be introduced to the proposed Transferee and to have discussions with same. For a period of forty-five (45) days following the receipt of said Notice of Offer, the other Holders of Equity Interests shall have the right of first refusal to purchase any or all of the Equity Interests specified in the Notice at the terms set forth therein.

#### 22.3 Exercise of Right to Acquire Equity Interests.

The foregoing right of first refusal shall be exercisable by written notice to the prospective Transferor of Equity Interests within the forty five (45) day period aforesaid and the exercise of said right shall be effective upon receipt of the written notice by said Transferor of Equity Interests. If the right of first refusal is exercised, the purchase and sale shall be closed at the offices of the Corporation or at such other place as agreed within ten (10) days after the expiration of the period for exercise thereof on the terms and conditions set forth in the Notice of Offer. The Transferor of Equity Interests at the time of sale shall represent and warrant that upon any Transfer of Equity Interests, whether to the proposed Transferee or to an existing Shareholder, such Transferee or existing Shareholder shall be the sole owner of such Equity Interests free and clear of any and all liens, encumbrances, equities or restrictions of any nature whatsoever, except that any future Shareholder shall also become subject to the provisions of this Agreement.

#### 22.4 Sale of Equity Interests to a Third Party.

If the other Shareholder does not accept the offer of the Equity Interests made as hereinabove required within the time period hereinabove provided, in writing, the Transferor of Equity Interests may then for a period of sixty (60) days following the expiration of such time period transfer all of the Equity Interests specified in the Notice in accordance with the terms and conditions therein set forth; provided that the Transferee shall have joined in this Agreement by instrument in form and substance satisfactory to the remaining Shareholder and shall thereupon be bound as a Shareholder. The Parties agree that if Equity Interests are to be sold to a third party in accordance with the provisions of this Article 22.4, they shall call a meeting of the Holders of Equity Interests of the Corporation and at such meeting shall approve the sale to such third party upon the terms herein provided.

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#### 22.5 Equity Interests Transferred to a Third Party Subject to Restrictions.

Equity Interests transferred to a third party and Equity Interests not so transferred within the sixty (60) day period referred to in Article 22.4 hereof shall again be subject to all of the terms, conditions and restrictions of this Agreement. Unless the other Shareholder shall so agree in writing, Equity Interests may not be transferred to the third party if the terms and conditions under which the Transferor of Equity Interests intends to consummate the Transfer of Equity Interests differ in any material way from the terms and conditions set forth in the Notice.

#### 22.6 Attempted Transfer of Equity Interests in Violation of this Agreement.

In the event of any act of Transfer of Equity Interests in violation of the terms of this Agreement, the Corporation shall continue to recognize only the Shareholder of record as the bona fide owner of such Equity Interests and as having any rights therein and the purported Transferee of such Equity Interests shall not be entitled to vote such Equity Interests, receive any dividends or other distribution in respect thereof or exercise any other rights in relation thereto. Moreover, the non-transferring Shareholder shall have the right to vote the Equity Interests of the purported Transferor of Equity Interests until such time as the purported Transfer of Equity Interests has been rescinded. This Article 22.6 shall not be construed as limiting any remedy which any Shareholder may have under law upon any Transfer of Equity Interests subject to this Agreement which is attempted in violation of this Agreement.

#### 22.7 Permitted Transfer of Equity Interests.

Notwithstanding anything to the contrary contained in this Agreement, any Shareholder shall have the right, without regard to or compliance with any of the provisions of Article 22 hereof, to transfer any Equity Interests owned by it to any corporation or entity which controls, is controlled by, or is under common control with such Shareholder without first obtaining the consent to such Transfer of Equity Interests by the other Shareholder. Upon such Transfer of Equity



C/o Tianjin China March Group, Ltd. Company  
Attention: Mr. Meng Tao  
Tianjin HUA YUAN Industrial Zone,  
Huoju Building, Tower 1, No. 127  
Tianjin  
People's Republic of China Telefax: 011 862223670120

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If to PARTY B, to: NTI ASEAN LLC  
c/o Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-612-784-2902

Copy to: Mr. Yoshiharu Rikuta  
Mr. Haruhiko Rikuta  
Taiyo Petroleum Gas Co., LTD.  
4-9 Nihonbashi-honcho 1-chome  
Chuo-ku Tokyo 103  
Japan  
Telefax: 81 33 2420986

Copy to: Northern Technologies International Corporation  
Attention: Chairman  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

#### 23.8 Entire Agreement.

This Shareholders Joint Venture Agreement and the Ancillary Agreements, contain the entire understanding of the Parties as of the date of execution of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Shareholders Joint Venture Agreement and the Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Shareholders Joint Venture Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Shareholders Joint Venture Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Shareholders Joint Venture Agreement and the Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

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#### 23.9 Validity of Provisions.

Should any part of this Agreement or the Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement or any Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### 23.10 Governmental Filings.

PARTY A shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. PARTY B shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

#### 23.11 Payments.

Any payment to be made to PARTY B or PARTY A pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by PARTY A or PARTY B, as the case may be. PARTY A and PARTY B shall each have the right to specify in writing any bank account to which payments due them (respectively) shall be made.

#### 23.12 Derivative Enforcement by PARTY B.

In the event of a Material Breach or Default of this Agreement or any of the Ancillary Agreements by PARTY A and/or its Agents, NTI PARTY B may, derivatively for and on behalf of the Corporation enforce the terms thereof against PARTY A and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 19 hereof.

23.13 Derivative Enforcement by PARTY A.

In the event of a Material Breach or Default of this Agreement or any of the Ancillary Agreements by PARTY B and/or its Agents, PARTY A may, derivatively for and on behalf of the Corporation, enforce the terms of this Agreement or any of the Ancillary Agreements against PARTY B and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 19 hereof.

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23.14 Publicity.

Any publicity with respect to this Agreement prior to the formation of the Corporation shall be under the joint control of both Parties. After the formation of the Corporation, publicity shall be under the control of the Corporation as determined by the Board of Directors of TIANJIN ZERUST.

23.15 Ratification by the Corporation of the Shareholders Joint Venture Agreement and the Ancillary Agreements.

The Parties shall cause the Corporation to expressly ratify, assume, approve, and adopt this Shareholders Joint Venture Agreement and to enter into the Ancillary Agreements as of the Effective Date so that the same, to the extent applicable to the Corporation, shall be binding upon it.

23.16 Brokers.

The Parties acknowledge that all negotiations relative to this Shareholders Joint Venture Agreement and the Ancillary Agreements and the transactions contemplated hereunder have been carried on by them directly, without intervention of any other person retained by either of them so as to give rise to any valid claim against any of the Parties hereto or the Corporation for a brokerage commission, finder's fee or any similar payment.

**ARTICLE 24**  
**LANGUAGE AND COPIES**

24.1 Language used in the Agreement and Appendixes

There are two versions of the Agreements made respectively in Chinese and English, both of which are of the same legal effect.

24.2 Copies

The original Chinese and English versions of the Agreement shall have six copies. Both PARTY A and NTI/PARTY B get two copies respectively, copies in English or Chinese or both will be provided to pursuant Chinese approval offices and for files in Chinese Industrial and Commercial Administration offices.

IN WITNESS WHEREOF, the Parties have executed this Shareholders Joint Venture Agreement as of the day and year first above written.

NTI ASEAN, LLC

TIANJIN CHINA MARCH GROUP LTD.

By: /s/

By: /s/

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CONSULTING SERVICES AGREEMENT  
FOR  
MANAGEMENT AND SALES REPRESENTATION

BY AND BETWEEN

TIANJIN CHINA MARCH GROUP LTD.

AND

TIANJIN ZERUST ANTI-CORROSION TECHNOLOGIES LTD.

DATED AS OF 1 SEPTEMBER, 1999

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**CONSULTING SERVICES AGREEMENT FOR  
MANAGEMENT AND SALES REPRESENTATION**

This Consulting Services Agreement for Management and Sales Representation (“Consulting Services Agreement”) is made and entered into as of this 1 day of September, 1999, by and between Tianjin China March Group Ltd. (“CMG”) and Tianjin Zerust Anti-Corrosion Technologies Ltd. (“TIANJIN ZERUST” or the “Corporation”). The address of both CMG and TIANJIN ZERUST is No. 127, Huoju Building, Huayuan Industrial Zone, Tianjin, People’s Republic of China.

**ARTICLE 1.  
DEFINITIONS**

For the purposes of this Consulting Services Agreement, the following Definitions of terms shall apply:

1.1 Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between NTI ASEAN (as hereinafter defined), and CMG (as hereinafter defined), for the formation and governance of a new entity under the laws of the People's Republic of China in the form of a limited liability company which shall be known as Tianjin Zerust Anti-Corrosion Technologies Ltd. ("TIANJIN ZERUST" or the "Corporation"),

1.2 Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

1.2.1 Consulting Services Agreement for Management and Sales Representation between CMG and TIANJIN ZERUST ("Consulting Services Agreement");

1.2.2 License Agreement between NTI ASEAN and TIANJIN ZERUST ("License Agreement"); and

1.2.3 Technical Assistance and Marketing Support Agreement between NTI ASEAN and TIANJIN ZERUST ("Technical Assistance Agreement").

1.3 Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

1.4 CMG.

CMG, a limited liability company organized under the laws of the People's Republic of China, and the owner of a 50% interest in the Corporation pursuant to the terms of the Agreement. The ownership of CMG is as follows: Container (Beijing) Industrial Company, 20%; Tianjin CNCC Zhi Hua Trading Ltd., 5%; Ping Shan CNCC Si Qiang Group Company, 66% and CNCC 9%.

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1.5 NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A. The principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in NTI ASEAN (as hereinafter defined).

1.6 Taiyo.

Taiyo Petroleum Gas Co Ltd. A Kabushiki Kaisha organized under the laws of Japan and the owner of a 50% interest in Party B (as hereinafter defined).

1.7 NTI ASEAN.

NTI ASEAN, LLC., a Limited Liability Company, organized under the laws of the State of Nevada, U.S.A. whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the Territory (as hereinafter defined), and the owner of a 50% interest in the Corporation pursuant to the Agreement.

1.8 NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Knowhow, Materials, Process, Product and/or Masterbatch anywhere in the world.

1.8.1 NTI Affiliates.

The NTI Affiliates as of the date hereof are set forth in Annex I to the Shareholders Joint Venture Agreement.

1.8.2 NTI ASEAN Affiliates.

The NTI ASEAN affiliates as of the date hereof are set forth in Annex II to the Shareholders Joint Venture Agreement.

1.9 Corporation or Joint Venture.

TIANJIN ZERUST, that entity created in the Territory by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation's Business.

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1.10 Corporation's Business.

The Corporation's Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

1.11 Territory.

1.12 Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of Country for the Shareholders Joint Venture Agreement have been obtained and the Corporation has been duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.13 NTI Intellectual Property Rights.

The Knowhow, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

1.14 Knowhow.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.15 Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

1.16 Process.

The procedure utilizing the Knowhow for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.17 Product.

Corrosion inhibiting polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.18 Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.19 Trademark.

The name and style "ZERUST", which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions.

1.20 NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.21 Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the Corporation's Business over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's Business, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's Business as "Other Agreed Upon Technologies" to be treated as set forth in this Consulting Services Agreement.

1.22 Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties. Sales made to an entity which is not affiliated with any Party of this Agreement through an Affiliated Entity, in accordance with article 4.3 of the Management and Sales Representation Agreement shall be included in total proceeds for the purpose of this definition of Net Sales.

1.23 At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscriptio "At Cost").

1.24 Shareholder.

Any holder, from time to time, of an Equity Interest in the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.25 Equity Interest.

Any validly issued Equity Interest in the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.26 Transfer of Equity Interest.

Any sale, transfer, assignment, pledge or disposition of Equity Interests in the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.27 Transferor of Equity Interest.

A Shareholder who declares an intention to Transfer an Equity Interest in the Corporation and/or initiates the Transfer of an Equity Interest.

1.28 Transfer Price for Equity Interest.

The price per share for the Shares of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

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1.29 Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Equity Interest pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.30 Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

**ARTICLE 2.**  
**APPOINTMENT OF CMG AS MANAGER**

2.1 Appointment of CMG as Manager.

TIANJIN ZERUST hereby appoints CMG to implement the Purposes of the Joint Venture (as defined in Article 3 of the Shareholders Joint Venture Agreement) and to manage, supervise and conduct the Corporation's Business. CMG hereby accepts such appointment and agrees to serve in such capacity in accordance with the terms hereof and with the terms of the Shareholders Joint Venture Agreement and the Ancillary Agreements.

2.2 Duties and Authority of Manager.

CMG shall have all authority which may be necessary, desirable or appropriate in connection with the discharge of CMG's duties hereunder, subject only to applicable limitations contained in the Shareholders Joint Venture Agreement and the Ancillary Agreements, and the provisions of Article 2 hereof. CMG shall use its best efforts in the performance of its duties and shall discharge same and conduct the Corporation's Business in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

2.3 Responsibility of Manager for Specific Activities.

In the course of fulfilling its responsibilities pursuant to this Consulting Services Agreement, CMG shall carry out the following activities on behalf of TIANJIN ZERUST.

- 2.3.1 Cause TIANJIN ZERUST to comply with the terms of the Shareholders Joint Venture Agreement and the Ancillary Agreements;
- 2.3.2 Acquire such materials, supplies, equipment, services and technical assistance as may be necessary, desirable or appropriate for the conduct of the Corporation's Business;

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- 2.3.3 Procure from outside experts, consultants and professionals such engineering, legal, advertising, promotional, and, except for accounting services (which shall be provided in accordance with the Shareholders Joint Venture Agreement), other advisory and professional services as may be necessary, desirable or appropriate for the conduct of the Corporation's Business;
- 2.3.4 Protect, keep and maintain the properties and assets of TIANJIN ZERUST and such properties and assets of the Parties to the Shareholders Joint Venture Agreement as are in the Corporation's actual possession;
- 2.3.5 Hire, train and supervise such personnel as may be necessary, desirable or appropriate for the conduct of the Corporation's Business;
- 2.3.6 Provide all executive and administrative responsibilities and services necessary, desirable or appropriate for the conduct of the Corporation's Business;
- 2.3.7 Cause TIANJIN ZERUST to comply with all laws applicable to it;
- 2.3.8 Process all customer orders, provide billings to customers and make adjustments with customers as appropriate;
- 2.3.9 Manage the credit risk of the Corporation including making inquiries regarding the creditworthiness of potential customers;
- 2.3.10 Manufacture or cause the manufacture of Product and Other Agreed Upon Technologies in the Territory, and, as far as CMG and its affiliates are concerned, At Cost;
- 2.3.11 Maintain the books and records of the Corporation in accordance with the normal practices of similar businesses in the Territory;
- 2.3.12 Prepare and file with governmental authorities all required reports and returns relating to the Corporation's Business;
- 2.3.13 Procure on behalf of the Corporation such product liability, public liability and other liability, casualty, and general insurance, as may be necessary, desirable and appropriate for the conduct of the Corporation's Business the Territory;
- 2.3.14 Establish and maintain a segregated bank account or accounts in the name of the Corporation for the deposit and disposition of all funds generated by and disbursed for the Corporation's Business;
- 2.3.15 Apply standards for the extension of credit and establish and maintain systems for the collection of all accounts, including overdue accounts in accordance with the normal practices of similar businesses in the Territory;
- 2.3.16 Coordinate the pricing and discount structure for the sale of Product and Other Agreed Upon Technologies to customers and/or distributors in the Territory, which will result in a reasonable profit to the Corporation, subject to the provisions of Article 7.3.17. of the Shareholders Joint Venture Agreement;

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- 2.3.17 Arrange for the preparation and delivery of the Corporation's financial statements as required by the Shareholders Joint Venture Agreement;
  - 2.3.18 Cause Agents of the Corporation to execute appropriate Trade Secrecy Agreements for the benefit of NTI and/or NTI ASEAN, substantially in the form of Appendix I hereto; and to execute Trade Secrecy Agreements for the benefit of CMG, substantially in the form of Appendix II hereto; and
  - 2.3.19 Perform or cause the Corporation to Perform all other acts and functions as may be necessary, desirable or appropriate in connection with the conduct of the Corporation's Business within its corporate authority as stated in TIANJIN ZERUST's Articles of Incorporation, subject to the Shareholders Joint Venture Agreement, the Ancillary Agreements and duly adopted Resolutions of the Board of Directors.

**ARTICLE 3.**  
**APPOINTMENT OF CMG AS**  
**EXCLUSIVE SALES REPRESENTATIVE**

3.1 Appointment of CMG as Exclusive Sales Representative.

TIANJIN ZERUST hereby appoints CMG as its Exclusive Sales Representative for the marketing and sale of Product and Other Agreed Upon Technologies in the Territory, and CMG hereby accepts such appointment and agrees to use its best efforts in accordance with the terms hereof to promote the marketing and sale of Product and Other Agreed Upon Technologies in the Territory.

3.2 Commitment of CMG to Use its Best Efforts in the Performance of its Duties Hereunder.

CMG shall use its best efforts in the performance of its duties hereunder and shall discharge same in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

3.3 Promotion of Product and Trademark.

In connection with the discharge of its duties hereunder CMG shall use its best efforts to solicit and to obtain business and, in so doing, to develop an increasing awareness of the Product, Trademark and Other Agreed Upon Technologies among potential customers. Such sales efforts will be carried on by properly trained sales personnel who shall thoroughly, energetically and regularly canvass and call upon customers and potential customers. CMG shall advise TIANJIN ZERUST and NTI ASEAN on a periodic basis (not less frequently than quarterly) as to the status of its sales efforts, the nature of orders obtained and the amount of backlog.

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3.4 Preparation and Use of Promotional Material.

CMG shall prepare promotional material for the conduct of the Corporation's Business in the Territory in the Chinese language, which shall be suitable under good business practice in Territory. CMG shall not, however, distribute any promotional material, literature, specifications, manuals, product claims or descriptions concerning the Materials, Masterbatch, Process, Knowhow, Product or NTI Intellectual Property Rights without the prior written approval thereof by NTI ASEAN.

3.5 Warranties.

CMG shall make no warranty on behalf of NTI or NTI ASEAN or the Corporation, and shall instruct its Agents (as defined in Article 13.3.1 of the Shareholders Joint Venture Agreement) and the Agents (as hereinafter defined) and Sub manufacturers (as defined in Article 7.3.1.(i) of the License Agreement and Article 7.3.1(i) of the Technical Assistance Agreement) of TIANJIN ZERUST to make no warranty on behalf of NTI, NTI ASEAN or the Corporation as to the Knowhow, Process, Product or NTI Intellectual Property Rights, except in accordance with documentation specifically approved by NTI or NTI ASEAN. A copy of the current warranty documentation utilized by NTI and NTI ASEAN is attached hereto as Appendix III.

3.6 Appointment of Distributors.

CMG may appoint distributors for Product and Other Agreed Upon Technologies in the Territory on an arms-length basis. CMG may also serve as a distributor of Product and Other Agreed Upon Technologies, either directly or indirectly in the Territory, provided that the total compensation to CMG for all services it renders to the Corporation as Sales Manager does not aggregate more than 10% of Net Sales. It is agreed between the parties that Sembcorp Technologies Pte. Ltd. shall be appointed as a distributor of TIANJIN ZERUST in the Territory on the same terms extended to any other similar distributor in the Territory.

**ARTICLE 4.**

**PAYMENTS TO CMG FOR ITS SERVICES AS MANAGER  
AND AS EXCLUSIVE SALES REPRESENTATIVE OF THE  
CORPORATION**

4.1 Basis for Payments.

TIANJIN ZERUST shall make payments to CMG which are provided for in Article 4 of this Consulting Services Agreement in consideration of the services performed by CMG as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Management and Sales Representation Agreement as compensation for the services set forth above and duly provided by CMG.

4.2 Compensation to CMG for Consulting Services Rendered to TIANJIN ZERUST with Respect to Product.

As compensation for the Consulting services to be rendered by CMG pursuant to this Consulting Services Agreement with respect to Product, TIANJIN ZERUST shall pay to CMG a fee equal to five percent (5%) of the amount of Net Sales of Product, plus reimbursement of reasonable, direct out-of-pocket expenses (At Cost) paid or incurred by CMG in the discharge of its responsibilities hereunder. Such amounts shall be paid to CMG within thirty (30) days after the conclusion of each quarterly period, based upon Net Sales and out-of-pocket expenses during the preceding quarterly period. There shall, however, be no separate or additional compensation in conjunction with services, such as accounting, invoicing or other management or administrative functions, which services are to be performed by CMG within the scope of its responsibilities as Manager.

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4.3 Compensation to CMG for Services Rendered to TIANJIN ZERUST as Exclusive Representative With Respect to Product.

CMG shall receive compensation for its services to TIANJIN ZERUST as Exclusive Sales Representative for Product hereunder equal to ten percent (10%) of the total Net Sales of Product by the Corporation, plus reasonable, direct out-of-pocket expenses (At Cost) incurred in the performance of its duties in this regard. There shall, however, be no separate or additional compensation in conjunction with services, such as carrying out promotional activities or conducting sales seminars, which services are to be performed by CMG within the scope of its responsibilities as Exclusive Sales Representative of TIANJIN ZERUST. In the course of effectuating sales, CMG may either purchase Product directly from the Corporation and thereupon resell same to customers for its own account, or alternatively serve as a commission agent for the Corporation, but not both; provided that the total margin to CMG does not exceed 10%. Payment terms for Product purchased by CMG from the Corporation for resale to customers shall be equal to the same terms offered by CMG on behalf of the Corporation to third parties fulfilling the same functions; and payment for Product purchased shall be made by CMG to the Corporation forthwith upon receipt of payment from customers.

4.4 Compensation to CMG for Services Hereunder with Respect to Other Agreed Upon Technologies.

Compensation to CMG for services rendered within the scope of this Consulting Services Agreement with respect to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Unless otherwise agreed between the Parties, however, CMG shall perform substantially the same functions, and have substantially the same rights, duties and obligations with respect to Other Agreed Upon Technologies as it does with respect to Product. Accordingly, CMG's total Compensation with respect to the services rendered with respect to Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the total Compensation paid to CMG for the services it renders to the Corporation with respect to Product.

4.5 When a Sale is Deemed to Occur.

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed or (if not billed) delivered to and fully paid for by a customer.

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4.6 Support Year.

The term Support Year (“Support Year”) shall mean any twelve (12) month period ending on December 31, except that the first Support Year shall commence on the Effective Date and end on the next December 31 date.

#### 4.7 Statements and Payment to CMG.

Within sixty (60) days after the last day of each quarterly period in each Support Year, CMG shall cause the Corporation:

- 4.7.1 To prepare and deliver to CMG a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for, and with respect to all elapsed quarterly periods for the Support Year:
- (i) The total amount of Net Sales of Product (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (ii) The total amount of compensation on such Net Sales of Product (computed as hereinbefore provided) payable to CMG for its Management and Sales Representation Services to the Corporation hereunder; and
  - (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by volumes and individual customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (iv) The total amount of compensation on such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to CMG for its Management and Sales Representation Services to the Corporation hereunder.
- 4.7.2 Pay to CMG the full amount of compensation to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 4.7.1. hereof.

#### 4.8 Books and Records.

CMG covenants and agrees that, as part of its duties under Article 2 hereof, it will cause TIANJIN ZERUST:

- 4.8.1 To keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales of Product and of Other Agreed Upon Technologies and all additional data and information which may be reasonably necessary to enable CMG or its independent accountants to verify the completeness and accuracy for each item of information which TIANJIN ZERUST is required to set forth in each of the statements referred to in Article 4.7.1.;

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- 4.8.2 To keep all such records and books of account at its principal office and to preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records, or the last entry in such books of account was made, whichever shall be later; and
- 4.8.3 To make such records, books of account, data and information available to CMG and/or its representatives and independent accountants and give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which TIANJIN ZERUST is required to set forth in each of the statements referred to in Article 4.7.1. hereof. In addition, CMG shall have the right to make copies of any of the foregoing. The independent accountants of TIANJIN ZERUST shall in the ordinary course of business provide written confirmation and certification to CMG, at least annually, of the data to be supplied to CMG pursuant to Article 4.7.1. hereof. The cost of such reports shall be borne by TIANJIN ZERUST. In the event that CMG shall cause their representatives to confirm or verify the accuracy of the data supplied by the Corporation, then the costs and fees of such representatives shall be borne by CMG, unless such representatives shall determine, to the satisfaction of the Corporation’s independent accountants, that there is a variation in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of CMG’s representatives and/or accountants shall be borne by the Corporation.

### **ARTICLE 5. PROTECTION OF CMG TRADE SECRETS**

#### 5.1 Identification of CMG Trade Secrets.

The Parties acknowledge that it is not intended that CMG impart its technology or trade secrets to the Corporation or, through the Corporation, to NTI ASEAN. The Parties recognize, however, that CMG may impart information to the Corporation to further the Corporation’s business, which CMG considers to be proprietary in nature and thus wishes to be kept confidential, and that such CMG Trade Secrets may come to be imparted to NTI ASEAN through the Corporation. In order for such information to be considered under the category of CMG Trade Secrets, CMG must alert the Corporation and NTI ASEAN to the fact that it intends to impart information it considers proprietary to the Corporation, in writing, in advance of imparting such information, and clearly identify such information as a CMG Trade Secret (“CMG Trade Secrets”).

#### 5.2 Protection of CMG Trade Secrets.

TIANJIN ZERUST agrees that during the term of this Consulting Services Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all CMG Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and Ancillary Agreements. CMG Trade Secrets shall not be disclosed by TIANJIN ZERUST to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of TIANJIN ZERUST, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a CMG Trade Secret shall be in the public domain as the result of an act by TIANJIN ZERUST or any Agent thereof, then TIANJIN ZERUST shall nevertheless continue to keep such CMG Trade Secret secret and inviolate.

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5.3 Protection of CMG Trade Secrets by Agents of TIANJIN ZERUST.

Neither TIANJIN ZERUST, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Corporation or elsewhere - or retain without CMG's prior written consent, the originals or copies of any CMG Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as CMG Trade Secrets be strictly maintained both as to original documents and copies thereof.

5.3.1 Insofar as the officers, employees and consultants of TIANJIN ZERUST (herein collectively "Agents") who come in contact with CMG Trade Secrets are concerned, TIANJIN ZERUST shall cause such Agents to enter into CMG Trade Secrecy Agreements substantially in the form of Appendix II to this Agreement. TIANJIN ZERUST shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the CMG Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

5.3.2 The Parties hereby agree and acknowledge that CMG is an intended third party beneficiary of the CMG Trade Secrecy Agreements, and that CMG may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the CMG Trade Secrecy Agreements and/or any breach thereof against any and all Agents of TIANJIN ZERUST (as defined in Article 5.3.1 hereof) who have executed same.

5.4 Remedies in the Event of a Violation of Article 5 Hereof.

It is understood and recognized by TIANJIN ZERUST that in the event of any violation by TIANJIN ZERUST or its Agents of the provisions of Article 5 hereof, CMG's remedy at law will be inadequate and CMG will suffer irreparable injury. Accordingly, TIANJIN ZERUST consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by CMG and in any court of competent jurisdiction to protect CMG Trade Secrets. Such relief shall be in addition to any other relief to which CMG may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Consulting Services Agreement.

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**ARTICLE 6.**  
**COVENANT TO OBSERVE**  
**THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

6.1 Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Consulting Services Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies, and/or the application of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

6.2 Agreement Not to Divert Resources.

CMG and TIANJIN ZERUST agree that during the term of this Consulting Services Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term CMG shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Consulting Services Agreement is terminated: (i) because of a material Breach of the Shareholders Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 7 hereof; (iv) pursuant to Article 8 hereof; or (v) upon a Breach of Article 5 or 6 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 6 of this Consulting Services Agreement for a period of three years following the date of termination, but shall at no time be permitted to use CMG Trade Secrets, for any activity outside the Corporation.

6.3 Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 6 hereof by a Party, the remedy at law will be inadequate and that the other Party to this Consulting Services Agreement shall suffer irreparable injury. Accordingly, each Party to this Consulting Services Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include, but not be limited to, the right of immediate termination of this Consulting Services Agreement.

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**ARTICLE 7.**  
**TERM OF AGREEMENT**

7.1 Indefinite Term.

This Consulting Services Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

7.2 Termination.

This Consulting Services Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 7.2.1 Terminated by either Party in accordance with the provisions of Articles 5 and/or 6 hereof;
- 7.2.2 Terminated by either Party by reason of a material Breach or Default of this Consulting Services Agreement by the other Party which has not been cured or remedied in accordance with Article 8 hereof;
- 7.2.3 Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event, this Consulting Services Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto; or
- 7.2.4 Terminated in accordance with Article 7.3 and/or Article 7.4 hereof.

7.3 Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party may, upon six (6) months prior written notice given to such Party, terminate this Consulting Services Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

7.4 Termination Upon Bankruptcy or Insolvency.

If a Party hereto shall become bankrupt or insolvent or shall file for any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings for bankruptcy, insolvency, reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Consulting Services Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Consulting Services Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Consulting Services Agreement if:

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- 7.4.1 Payments due under this Consulting Services Agreement for past obligations are rendered in full;
  - 7.4.2 Payments due under this Consulting Services Agreement for present obligations are rendered pursuant to a payment schedule acceptable to the other Party; and
  - 7.4.3 All other provisions of this Consulting Services Agreement are complied with fully.

7.5 Payment of Amounts Due.

In the event of termination of this Consulting Services Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Consulting Services Agreement prior to the effective date of termination.

7.6 Cooperation Upon Termination.

Upon termination of this Consulting Services Agreement, the Corporation shall cooperate with CMG in transferring CMG Trade Secrets to CMG or its designated assignee; and CMG and Corporation shall cooperate with NTI and NTI Asean in transferring NTI Intellectual Property Rights, and NTI and/or NTI Asean Trade Secrets to NTI, NTI Asean or their designated assignee.

7.7 Non-Release of Obligations.

The termination of this Consulting Services Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 5, upon termination of this Consulting Services Agreement, CMG Trade Secrets shall continue to be kept secret and confidential.

7.8 Cessation of Rights Upon termination.

Upon the termination of this Consulting Services Agreement, for reason of Default or Breach of this Consulting Services Agreement or of the Shareholders Joint Venture Agreement or an Ancillary Agreement, all rights which the Defaulting Party may have under or pursuant to this Consulting Services Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 9 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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**ARTICLE 8.**  
**DEFAULT**

8.1 Event of Default.

A Default ("Default") hereunder shall exist in the event of:

- 8.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or
- 8.1.2 A material Breach (“Breach”) of any provision of this Consulting Services Agreement other than Articles 5 or 6 hereof, of the Shareholders Joint Venture Agreement, or any of the other Ancillary Agreements; and/or
- 8.1.3 A Breach of Articles 5 and/or 6 hereof.

8.2 Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 8.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Consulting Services Agreement to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Consulting Services Agreement unless the Party in Default or Breach shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party’s right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party’s Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- 8.2.2 Notwithstanding the foregoing, in the event of a violation of Articles 5 and/or 6 hereof by a Party hereto, the other Party may at its sole discretion terminate this Consulting Services Agreement with immediate effect upon giving notice to the Party in Default or Breach of Articles 5 and/or 6 hereof as provided herein.

8.3 Non-Waiver of Rights.

A Party’s failure to terminate this Consulting Services Agreement on account of any Breach or Default by the other Party as provided in Article 8.1 or 8.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Consulting Services Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 8.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 9.**  
**DISPUTE RESOLUTION**

9.1 Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 9.2 hereof, which may arise between the Parties during the term of this Consulting Services Agreement, after the termination thereof, or following the liquidation or dissolution of the Corporation, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to, the following:

- 9.1.1 A dispute as to whether a Default exists;
- 9.1.2 A dispute as to whether a Default entitles the non-defaulting Party to terminate this Consulting Services Agreement;
- 9.1.3 A dispute as to the validity of this Article 9;
- 9.1.4 A dispute relating to the construction, meaning, interpretation, application or effect of this Consulting Services Agreement or anything contained herein;
- 9.1.5 A dispute as to the rights, obligations or liabilities of the Parties hereunder.

9.2 Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Consulting Services Agreement:

- 9.2.1 Arbitration may not be invoked regarding matters expressed in this Consulting Services Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 9.2.2 Arbitration may not be invoked if CMG, in its capacity as Manager of TIANJIN ZERUST, causes TIANJIN ZERUST to commit a Breach or Default of this Consulting Services Agreement or of the Shareholders Joint Venture Agreement or of any of the Ancillary Agreements. Such action shall be considered a Breach by CMG of Article 6 hereof.
- 9.2.3 Arbitration may not be invoked if a Party violates the provisions of this Consulting Services Agreement relating to CMG Trade Secrets or Corporate Opportunity. In such event, the remedies set forth in Articles 5,6 and 8 hereof shall apply.

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9.3 Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried at the Arbitration Commission of the International Chamber of Commerce of Singapore, under the UNCITRAL Arbitration Rules. In the interpretation of this Consulting Services Agreement, the laws of the People’s Republic of China shall apply. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys’ fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

9.4 Designation of the “Prevailing Party”.

In each case in which arbitration is invoked under this Consulting Services Agreement, the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party (“Prevailing Party”).

9.5 Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

**ARTICLE 10.**  
**GENERAL PROVISIONS**

10.1 Benefit of Parties.

All of the terms and provisions of this Consulting Services Agreement, the Shareholders Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Consulting Services Agreement and all of its rights hereunder (or a portion of this Consulting Services Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

10.2 Counterparts.

This Consulting Services Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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10.3 Cooperation.

During the term of this Consulting Services Agreement, each Party shall cooperate with and assist each Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Consulting Services Agreement as well as those of the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

10.4 Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this Consulting Services Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Consulting Services Agreement, as identified by their insertion in parentheses and quotation marks (“Defined Terms”), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Consulting Services Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Consulting Services Agreement before or after they are defined.

10.5 Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Consulting Services Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Party hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party’s rights in respect to any other covenants, condition, Breach or Default hereunder.

10.6 Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Consulting Services Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Consulting Services Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

10.7 Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Consulting Services Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

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If to CMG, to:

Tianjin China March Group Ltd.  
Huoju Building Huayuan Industry Zone, Tianjin  
Attention: Mr. Zhang Binhua  
Telefax: 86 022 2367 0120

If to Tianjin Zerust, to:

Tianjin Zerust Anti-Corrosion Technologies Ltd.  
No. 127 Tower 1 Huoju Building Huayuan Industry Zone,  
Tianjin  
Attention: Mr. Meng Tao  
Telefax: 86 022 2367 0120

Copy to:

NTI ASEAN LLC  
c/o Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-612-784-2902

Copy to:

Mr. Yoshiharu Rikuta  
Mr. Haruhiko Rikuta  
Taiyo Petroleum Gas Co., LTD.  
4-9 Nihonbashi-honcho 1-chome  
Chuo-ku Tokyo 103  
Japan  
Telefax: 81 33 242 0986

Copy to:

Northern Technologies International Corporation  
Attention: Chairman  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

#### 10.8 Entire Agreement.

This Consulting Services Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of execution of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Consulting Services Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Consulting Services Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Consulting Services Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Consulting Services Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

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#### 10.9 Validity of Provisions.

Should any part of this Consulting Services Agreement, the Shareholders Joint Venture Agreement or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Consulting Services Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### 10.10 Governmental Filings.

CMG shall be responsible for the preparation and filing of all necessary reports relating to this Consulting Services Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI ASEAN shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

#### 10.11 Payments.

Any payment to be made to CMG pursuant to any provision of this Consulting Services Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by CMG. Partner shall have the right to specify in writing any bank account to which payments due it shall be made.

#### 10.12 Derivative Enforcement by NTI ASEAN.

In the event of a Material Breach or Default of this Consulting Services Agreement by CMG and/or its Agents, NTI ASEAN may, derivatively for and on behalf of the Corporation, enforce the terms hereof against CMG and/or its Agents. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 9 hereof.

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10.13 Changes Subject to Approval of NTI ASEAN.

The Parties to this Consulting Services Agreement shall not change, modify or amend this Consulting Services Agreement in any respect without the prior written consent of NTI ASEAN.

IN WITNESS WHEREOF, the Parties have executed this Consulting Services Agreement for Management and Sales Representation as of the day and year first above written.

**TIANJIN CHINA MARCH GROUP LTD.**

**TIANJIN ZERUST ANTI-CORROSION  
TECHNOLOGIES LTD.**

By: /s/

By: /s/

**APPROVAL OF NTI ASEAN, LLC**

By its signature hereto NTI ASEAN, LLC approves and agrees to the terms and provisions of this Consulting Services Agreement and of the form of CMG Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that the terms and provisions thereof are applicable to it, it being understood that NTI ASEAN, LLC shall also have a direct right of action in its own name for the enforcement of the provisions of this Consulting Services Agreement.

**NTI ASEAN, LLC**

By /s/

Date 1 September 1999

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**APPENDIX III**

**NTI WARRANTY DOCUMENTATION**

“Because we cannot anticipate or control the many different conditions under which our information and our products may be used, no warranty, expressed or implied, is made except that the product conforms to Northern Technologies International Corporation specifications. The technical data furnished is believed to be accurate and complete. Buyer assumes all risk of use, storage and handling of this product. Northern Technologies International Corporation shall not be responsible for special or consequential damages. Nothing contained herein shall be construed as permission to use, or recommendation for, the use of the product in the infringement of any existing patent.”

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT**

This Technical Assistance and Marketing Support Agreement (“Technical Assistance Agreement”), is made and entered into as of this 1 day of SEPTEMBER, 1999 by and between NTI ASEAN, LLC, whose registered office is located in Reno, Nevada, U.S.A. (hereinafter “NTI ASEAN”) and Tianjin Zerust Anti-Corrosion Technologies Ltd., whose principal office is located at No. 127, Tower 1, Huoju Building, Huayuan Industrial Zone, Tianjin, People’s Republic of China (hereinafter “Tianjin Zerust”).

**ARTICLE 1**  
**DEFINITIONS**

For the purposes of this Technical Assistance Agreement, the following Definitions of terms shall apply:

**1.1. Shareholders Joint Venture Agreement or Agreement.**

That certain Shareholders Joint Venture Agreement by and between NTI ASEAN (as hereinafter defined), and CMG (as hereinafter defined), for the formation and governance of a new entity under the laws of the People’s Republic of China in the form of a limited liability company which shall be known as Tianjin Zerust Anti-Corrosion Technologies Ltd. (“TIANJIN ZERUST” or the “Corporation”).

**1.2. Ancillary Agreements.**

The following are the Ancillary Agreements and the Parties thereto:

- 1.2.1. Consulting Services Agreement For Management and Sales Representation between CMG and TIANJIN ZERUST (“Consulting Services Agreement”);
- 1.2.2. License Agreement between NTI ASEAN and TIANJIN ZERUST (“License Agreement”); and
- 1.2.3. Technical Assistance and Marketing Support Agreement between NTI ASEAN and TIANJIN ZERUST (“Technical Assistance Agreement”).

**1.3. Parties.**

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

**1.4. CMG.**

Tianjin China March Group Ltd, a limited liability company organized under the laws of the People’s Republic of China, and the owner of a 50% interest in the Corporation pursuant to the terms of the Agreement. The ownership of CMG is as follows: Container (Beijing) Industrial Company, 20%; Tianjin CNCC Zhi Hua Trading Ltd., 5%; Ping Shan CNCC Si Qiang Group Company, 66% and CNCC 9%.

**1.5. NTI.**

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A., the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% interest in NTI ASEAN (as hereinafter defined).

**1.6. Taiyo.**

Taiyo Petroleum Gas Co Ltd. A Kabushiki Kaisha organized under the laws of Japan and the owner of a 50% interest in Party B (as hereinafter defined).

**1.7. NTI ASEAN.**

NTI ASEAN, LLC, a Limited Liability Company, organized under the laws of the State of Nevada, U.S.A. whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the Territory (as hereinafter defined), and the owner of a 50% interest in the Corporation pursuant to the Agreement.

**1.8. NTI and/or NTI ASEAN Affiliates.**

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Knowhow, Materials, Process, Product and/or Masterbatch anywhere in the world.

1.8.1. **NTI Affiliates.**

The NTI Affiliates as of the date hereof are set forth in Annex I to the Shareholders Joint Venture Agreement.

1.8.2. **NTI ASEAN Affiliates.**

1.9. Corporation or Joint Venture.

TIANJIN ZERUST, that entity created in the Territory by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation's Business.

1.10. Corporation's Business.

The Corporation's Business shall be the manufacturing, marketing, and distribution of Product, pursuant to NTI Intellectual Property Rights, and of any other technologies as shall be determined by the Parties in writing and made a part hereof, pursuant to Article 1.21 of this Agreement, in the Territory.

1.11. Territory.

The People's Republic of China.

1.12. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of the People's Republic of China for the Shareholders Joint Venture Agreement have been obtained and the Corporation has been duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.13. NTI Intellectual Property Rights.

The Knowhow, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

1.14. Knowhow.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.15. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

1.16. Process.

The procedure utilizing the Knowhow for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.17. Product.

Corrosion inhibiting polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may also include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

1.18. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.19. Trademark.

The name and style "ZERUST", which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions.

1.20. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Knowhow, Materials, Process, Product and/or Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.21. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the Corporation's Business over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's Business, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's Business as "Other Agreed Upon Technologies" to be treated as set forth in this Technical Assistance Agreement.

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1.22. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties. Sales made to an entity which is not affiliated with any Party of this Agreement through an Affiliated Entity, in accordance with article 4.3 of the Management and Sales Representation Agreement, shall be included in total proceeds for the purpose of this definition of Net Sales.

1.23. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs-direct and indirect - arising out of any transaction with the proscription "At Cost").

1.24. Shareholder.

Any holder, from time to time, of an Equity Interest in the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.25. Equity Interest.

Any validly issued Equity Interest in the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.26. Transfer of Equity Interest

Any sale, transfer, assignment, pledge or disposition of an Equity Interests in the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.27. Transferor of Equity Interest

A Shareholder who declares an intention to Transfer an Equity Interest in the Corporation and/or initiates the Transfer of an Equity Interest.

1.28. Transfer Price for Equity Interest.

The price per share for the Shares of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

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1.29. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Equity Interest pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.30. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

**ARTICLE 2**  
**RESPONSIBILITIES OF NTI ASEAN WITH RESPECT TO**  
**PROVIDING TECHNICAL ASSISTANCE TO TIANJIN ZERUST**  
**RELATIVE TO PRODUCT**

2.1. Technical Assistance Relative to Product.

NTI ASEAN shall provide TIANJIN ZERUST with technical advice with respect to the effective use of Product, applications engineering support in response to customer requirements for the development of packaging systems incorporating Product, and technical assistance in the manufacturing of Product in the Territory. In addition, NTI ASEAN shall assist TIANJIN ZERUST in responding to technical problems which might arise from the use of Product (proper and improper), and in the evaluation of potential new applications of Product for specific customers.

2.2. Development of New Application Technologies.

NTI ASEAN shall continue its efforts to expand the range of applications of the Product and shall make any tangible results of such efforts available to TIANJIN ZERUST.

2.3. Training by NTI ASEAN in the Manufacturing of the Product in the Territory.

NTI ASEAN shall provide assistance and training of personnel from TIANJIN ZERUST as may reasonably be required by TIANJIN ZERUST to facilitate the manufacture of Product in the Territory. This shall include training of Agents of TIANJIN ZERUST (as defined in Article 7.3.1 hereof), and may include the training of Submanufacturers of TIANJIN ZERUST (as defined in Article 7.3.1.i hereof) at a location to be mutually determined.

2.4. Quality Control of Masterbatch.

The parties recognize that the Materials consist of a unique, proprietary and secret combination of chemicals which has been developed by NTI, which chemicals are prepared, mixed and combined prior to shipment in the form of Masterbatch; and that the Masterbatch is essential in order for the Process to work safely and effectively. Accordingly, in order to ensure proper quality control, NTI ASEAN agrees to sell to TIANJIN ZERUST, at TIANJIN ZERUST's request, and TIANJIN ZERUST agrees to purchase from NTI ASEAN, such Masterbatch At Cost as may be necessary to carry out the Corporation's Business with respect to Product. Alternatively, TIANJIN ZERUST may purchase Masterbatch from any other NTI or NTI ASEAN Affiliate or external bona fide supplier, provided that NTI ASEAN has approved the quality and reliability of such Materials and such supplier, and provided that such supplier affords TIANJIN ZERUST product liability insurance on the chemical formulations it sells to TIANJIN ZERUST deemed to be adequate to protect TIANJIN ZERUST from loss due to any lessening of Quality Control standards established by NTI. Notwithstanding TIANJIN ZERUST's right to choose a supplier of Masterbatch in accordance with the provisions hereof, upon receipt of bona fide Purchase Orders for Masterbatch from TIANJIN ZERUST under the Terms of Trade for Masterbatch set forth below, NTI ASEAN agrees to supply to TIANJIN ZERUST such Masterbatch as may be ordered by TIANJIN ZERUST in reasonable quantities and within reasonable timeframes, subject to the provisions of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements.

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- 2.4.1. Terms of Trade for Masterbatch. Shipments of Masterbatch by NTI ASEAN to TIANJIN ZERUST and the terms of sale thereof will be pursuant to and in accordance with the Terms of Trade set forth in Appendix I hereto, as modified from time to time. The initial price schedule for Masterbatch is also set forth in Appendix I. Masterbatch purchased from NTI ASEAN shall be paid as set forth in Article 12.11 or at any other place designated by NTI ASEAN in the U.S. Dollars invoiced within ninety (90) days following receipt by TIANJIN ZERUST of each shipment of Masterbatch at its principal place of business or at such other places in the Territory as shall be designated by TIANJIN ZERUST in the purchase order issued with respect thereto.
- 2.4.2. Material Safety Data Sheets. NTI ASEAN shall provide TIANJIN ZERUST with Material Safety Data Sheets for all Masterbatch provided by NTI ASEAN to TIANJIN ZERUST. NTI ASEAN shall also provide TIANJIN ZERUST with a complete set of reports issued by all sources to which NTI ASEAN has access with respect to human health and environmental analyses as to Product and/or NTI Intellectual Property Rights.
- 2.4.3. Product Liability Insurance. NTI warrants to TIANJIN ZERUST that NTI presently carries product liability insurance as set forth in Appendix II hereof. The product liability coverage under NTI's Master Policy ("NTI's Master Policy") extends solely to Masterbatch manufactured by NTI. ("Product Liability Insurance Coverage on Masterbatch"). As of the Effective Date hereof, the pro rata charge to TIANJIN ZERUST by NTI ASEAN for the Product Liability Insurance Coverage on Masterbatch provided under NTI's Master Policy shall be incorporated within the compensation to be paid to NTI ASEAN pursuant to Article 6 hereof for services performed hereunder. Any subsequent adjustment in the premiums paid by NTI for Product Liability Insurance Coverage on Masterbatch may, however, necessitate a separate additional charge therefor. At Cost to TIANJIN ZERUST by NTI ASEAN in the future.

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2.5. Technical Service Relative to Product through Laboratory Test Facilities.

NTI ASEAN shall cause NTI to make its Laboratory Test Facilities and/or those of NTI and/or NTI ASEAN Affiliates reasonably available to TIANJIN ZERUST for the purpose of analyzing the specific corrosion prevention requirements of customers and/or potential customers for Product in the Territory ("Laboratory Tests"), on a time schedule to be mutually determined. In the course of the technical analysis and Laboratory Test procedures conducted in the Laboratory Test Facilities of NTI, and NTI and/or NTI ASEAN Affiliates, NTI and NTI ASEAN shall use reasonable efforts to determine whether NTI Intellectual Property Rights can be utilized effectively to meet, in whole or in part, the specific requirements for corrosion inhibiting technology posed by the customers or prospective customers in the Territory for the applications specified. Various different Materials and Masterbatch formulations may be tested in this process. NTI ASEAN shall inform TIANJIN ZERUST as to the results of the analyses performed and tests conducted in each such case as promptly as practicable. All of the concepts, analyses and results of such analyses and Laboratory Test procedures shall remain the sole property of NTI. In the event that Product variations are developed within the scope of such Laboratory Tests the ownership of such Product variations shall reside with NTI, subject to the terms of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement, and the other Ancillary Agreements. Notwithstanding the foregoing, if greater demands on the Laboratory Test Facilities of NTI and/or NTI ASEAN Affiliates are posed by TIANJIN ZERUST than demands for such support posed by other NTI and/or NTI ASEAN Affiliates of the same approximate size and scope, neither NTI nor NTI ASEAN may be required to perform the requested services unless TIANJIN ZERUST agrees to the payment of a reasonable charge therefor.

2.6. Location for Performance of Services

All services performed under Article 2 will be performed outside the People's Republic of China.

**ARTICLE 3**  
**RESPONSIBILITIES OF NTI ASEAN WITH RESPECT TO**  
**PROVIDING MARKETING SUPPORT TO TIANJIN ZERUST**  
**RELATIVE TO PRODUCT**

3.1. Marketing Support Relative to Product.

NTI ASEAN shall provide TIANJIN ZERUST with assistance in marketing the Product in the Territory and in responding to inquiries with respect to the proper application, including potential new applications, of Product in the Territory.

3.2. Improvements in Marketing Relative to Product.

NTI ASEAN shall continue its efforts to improve the marketing techniques for the Product, and shall make any tangible results of all such efforts available to TIANJIN ZERUST within the compensation to be paid by TIANJIN ZERUST to NTI ASEAN pursuant to Article 6 hereof.

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3.3. Sales Promotion Tools Relative to Product

NTI ASEAN shall provide support and assistance in the sales promotion and advertising efforts of TIANJIN ZERUST ("Sales Promotion Tools"). NTI ASEAN shall provide text, photographs, artwork and materials NTI has developed for its own proprietary Sales Promotion Tools to TIANJIN ZERUST At Cost; upon the reasonable request of TIANJIN ZERUST.

3.4. Participation in Trade Fairs Relative to Product.

At TIANJIN ZERUST's request, and upon mutual agreement as to timing, cost and scope, NTI ASEAN shall provide support to TIANJIN ZERUST in designing and preparing display material for TIANJIN ZERUST. NTI ASEAN shall also provide technical staff for TIANJIN ZERUST's booth at appropriate Trade Fairs in the People's Republic of China, to promote the sale of Product in the Territory.

3.5. Joint Sales Calls Relative to Product.

Upon mutual agreement, proper advance planning and identification of suitable prospects, NTI ASEAN management shall make sales calls in the Territory jointly with CMG and/or TIANJIN ZERUST sales staff to promote the sale of Product in the People's Republic of China.

3.6. Location of Services

All services performed under Article 3 are generated outside the People's Republic of China.

**ARTICLE 4**  
**INTERNATIONAL COORDINATION AND SUPPORT**  
**RELATIVE TO PRODUCT**

It is recognized by the parties that a major element in the Technical Assistance and Sales Support provided by NTI ASEAN relates to the integration of the Corporation's Business within the worldwide "Federation" of NTI and NTI ASEAN Affiliates, for major customers for Product tend to be multinational companies with production and assembly factories throughout the world, such as in the automotive and electronic industries. Therefore, the Technical Assistance and Sales Support provided to TIANJIN ZERUST shall include:

4.1. Identification of International Customers for Product.

NTI ASEAN shall, together with TIANJIN ZERUST, identify international companies working in the Territory and attempt to determine which of these have become significant users of the Product in the United States and in the respective territories of other NTI and NTI ASEAN Affiliates. Following such research into pre-existing customers, NTI ASEAN shall provide lists of significant users of Product it identifies, together with appropriate references, photographs and other available information as to appropriate applications of Product for each international customer identified, to TIANJIN ZERUST for use in the Territory.

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4.2. Inspection of Customer Shipments Abroad.

Where Product is used to protect a TIANJIN ZERUST customer's shipment of metal components and/or finished goods from the Territory to foreign destinations, NTI ASEAN shall arrange to have such shipments inspected by NTI and/or NTI ASEAN Affiliate personnel on arrival, at destinations in such countries where NTI and/or NTI ASEAN have Affiliates, to ensure proper application and efficacy of Product in transit.

4.3. Participation in Worldwide Conferences.

NTI ASEAN shall invite TIANJIN ZERUST Management to, and include TIANJIN ZERUST Management in, appropriate worldwide and regional strategic conferences, marketing seminars and technical exchanges organized by NTI and/or NTI ASEAN for their joint venture Partners.

4.4. Location for performance of services

All services performed under article 4 will be performed outside the People's Republic of China.

**ARTICLE 5**  
**TECHNICAL ASSISTANCE AND MARKETING**  
**SUPPORT TO BE RENDERED BY NTI ASEAN RELATIVE TO**  
**OTHER AGREED UPON TECHNOLOGIES**

5.1. Uncertainty as to Market Structure With Respect to Other Agreed Upon Technologies

The parties recognize that the structure of the market for each Other Agreed Upon Technology in the Territory will require a different approach from that required by the structure of the market of Product. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies in the People's Republic of China, for planning purposes.

5.2. Determination of Services to be Performed by NTI ASEAN With Respect to Other Agreed Upon Technologies.

Accordingly, under this Technical Assistance Agreement, NTI ASEAN shall use its best efforts to perform essentially the same range of services with respect to Other Agreed Upon Technologies that NTI ASEAN does in the ordinary course of business with respect to Product, adjusted as commensurate to the commercial and financial potential of each individual market for Other Agreed Upon Technologies in the Territory.

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**ARTICLE 6**  
**PAYMENTS TO NTI ASEAN FOR TECHNICAL ASSISTANCE AND**  
**MARKETING SUPPORT SERVICES TO TIANJIN ZERUST**

**6.1. Basis for Payments with Respect to Services Relative to Product.**

TIANJIN ZERUST shall make payments to NTI ASEAN as provided in this Article 6 of this Technical Assistance Agreement in consideration of all services performed by NTI ASEAN as set forth in Articles 2, 3, 4 and 5 hereof. The payments set forth herein shall be made throughout the entire term of this Technical Assistance Agreement as compensation in full for the services specified and duly provided by NTI ASEAN to TIANJIN ZERUST.

**6.2. Amount of Payments for Services Relative to Product.**

TIANJIN ZERUST shall pay to NTI ASEAN such amounts as set out in Schedule 1 to this Agreement. Such payments, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by NTI ASEAN from time to time.

**6.3. Basis for Payments with Respect to Services Relative to Other Agreed Upon Technologies.**

Payments to be made to NTI ASEAN with respect to services to TIANJIN ZERUST relating to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. NTI ASEAN shall perform substantially the same services under this Technical Assistance Agreement with respect to Other Agreed Upon Technologies that it does with respect to Product. Accordingly, payments to NTI ASEAN for its services with respect to Other Agreed Upon Technologies under this Technical Assistance Agreement shall, unless otherwise agreed between the Parties, be equal (as a percentage of Net Sales of each Other Agreed Upon Technology) to the payments paid by TIANJIN ZERUST to NTI ASEAN for its services hereunder with respect to Product.

**6.4. When a Sale is Deemed to Occur.**

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

**6.5. Support Year.**

The term "Support Year" shall mean any twelve (12) month period ending on December 31, except that the first Support Year shall commence on the Effective Date, and end at the next December 31 date.

**6.6. Statements to NTI ASEAN.**

Within sixty (60) days after the last day of each quarterly period in each Support Year, TIANJIN ZERUST shall:

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6.6.1. Prepare and deliver to NTI ASEAN a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:

- (i) The total amount of Net Sales of Product (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer);
- (ii) The total amount of compensation, based upon such Net Sales of Product (computed as hereinbefore provided) payable to NTI Asean for its services to the Corporation hereunder;
- (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
- (iv) The total amount of compensation, based upon such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI ASEAN for its services to the Corporation hereunder.

6.6.2. Pay to NTI ASEAN the full amount to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 6.6.1 hereof.

**6.7. Books and Records.**

TIANJIN ZERUST covenants and agrees:

6.7.1. That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI's or NTI ASEAN's independent accountants to verify the completeness and accuracy of each item of information which TIANJIN ZERUST is required to set forth in each of the statements referred to in Article 6.6.1;

6.7.2. That it will keep all such records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

- 6.7.3. That it will make such records, books of account, data and information available to NTI ASEAN's representatives and to NTI ASEAN's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which TIANJIN ZERUST is required to set forth in each of the statements referred to in Article 6.6.1 hereof. In addition, NTI ASEAN shall have the right to make copies of any of the foregoing. The independent accountants of TIANJIN ZERUST shall in the ordinary course of business provide written confirmation and certification to NTI ASEAN, at least annually, of the data supplied to NTI ASEAN pursuant to Article 6.6.1 hereof. The cost of such reports shall be borne by TIANJIN ZERUST. In the event that NTI ASEAN shall cause its representatives to confirm or verify the accuracy of the data supplied by TIANJIN ZERUST, then the costs and fees of such representatives shall be borne by NTI ASEAN unless such representatives shall determine, to the satisfaction of TIANJIN ZERUST's independent accountants, that there is a variation in the reporting of Net' Sales of five percent (5%) or more, in which event the costs and fees of NTI ASEAN's representatives and/or accountants shall be borne by TIANJIN ZERUST.

**ARTICLE 7**  
**PROTECTION OF NTI AND/OR NTI ASEAN TRADE SECRETS**

7.1. Recognition of NT I and/or NTI ASEAN Trade Secrets.

TIANJIN ZERUST acknowledges and agrees that (i) NTI Intellectual Property Rights; (ii) NTI and/or NTI ASEAN Trade Secrets; (iii) the Knowhow, Materials, Process, Product and Masterbatch; and (iv) other information deemed confidential by NTI and/or NTI ASEAN and designated herein and hereafter relating to the business of NTI and/or NTI ASEAN, of the Corporation, and of NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are also included within the definition of NTI and/or NTI ASEAN Trade Secrets set forth in Article 1.20 hereof and constitute valuable property rights of NTI, NTI ASEAN and NTI and/or NTI ASEAN Affiliates.

7.2. Protection of NTI and/or NTI ASEAN Trade Secrets.

TIANJIN ZERUST agrees that during the term of this Technical Assistance Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI and/or NTI ASEAN Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and the Ancillary Agreements. NTI and/or NTI ASEAN Trade Secrets shall not be disclosed by TIANJIN ZERUST to third parties and shall be kept secret and confidential except, (i) to the extent that the same have entered into the public domain by means other than the improper actions of TIANJIN ZERUST, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI and/or NTI ASEAN Trade Secret shall be in the public domain as the result of an act by TIANJIN ZERUST or any Agent (as hereinafter defined) or Submanufacturer (as hereinafter defined) thereof, then TIANJIN ZERUST shall nevertheless continue to keep such NTI and/or NTI ASEAN Trade Secret secret and inviolate.

7.3. Protection of NTI and/or NTI ASEAN Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of TIANJIN ZERUST.

Neither TIANJIN ZERUST, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location, or retain without NTI ASEAN's prior written consent, the originals or copies of any NTI and/or NTI ASEAN Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI and/or NTI ASEAN. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI and/or NTI ASEAN Trade Secrets be strictly maintained both as to original documents and copies thereof.

- 7.3.1. Insofar as the officers, employees and consultants of TIANJIN ZERUST (herein collectively "Agents") who come in contact with NTI and/or NTI ASEAN Trade Secrets are concerned, TIANJIN ZERUST shall cause such Agents to enter into NTI and/or NTI ASEAN Trade Secrecy Agreements substantially in the form of Appendix III to this Technical Assistance Agreement. TIANJIN ZERUST shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI and/or NTI ASEAN Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

- (i) To the extent that TIANJIN ZERUST provides Masterbatch to Submanufacturers in requisite quantities to allow such Submanufacturers to manufacture Product in the Territory in such volumes and forms as may be required for the Corporation's Business (" Submanufacturers "), it is understood that TIANJIN ZERUST may find it necessary to disclose certain NTI and/or NTI ASEAN Trade Secrets to such Submanufacturers for such purposes only;
- (ii) NTI and/or NTI ASEAN Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI ASEAN and who have entered into NTI and/or NTI ASEAN Trade Secrecy Agreements with TIANJIN ZERUST in a form approved by NTI ASEAN, but substantially in the form of the NTI and/or NTI ASEAN Trade Secrecy Agreement set forth in Appendix III hereof;
- (iii) Moreover, only those NTI and/or NTI ASEAN Trade Secrets which are absolutely essential for the functions to be performed by such Submanufacturers shall be disclosed to them.

- 7.3.2. TIANJIN ZERUST shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Sub manufacturers to apply the Process with respect to Product, incorporating Masterbatch, for the account of TIANJIN ZERUST. Upon completion of any order for such Process of Product by a Submanufacturer, TIANJIN ZERUST shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer in the Process and so take title to the Product, and shall require the return by the Submanufacturer of any Materials or Masterbatch not utilized in the Process.
- 7.3.3. The Parties hereby agree and acknowledge that NTI and/or NTI ASEAN are intended third party beneficiaries of the NTI and/or NTI ASEAN Trade Secrecy Agreements, and that NTI and/or NTI ASEAN may each, in its sole discretion, on its own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the NTI and/or NTI ASEAN Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 7.3.1 hereof) and/or Submanufacturers (as defined in Article 7.3.1(i) hereof) who have executed same.

7.4. Remedies in the Event of a Violation of Article 7 Hereof.

It is understood and recognized by TIANJIN ZERUST that in the event of any violation by TIANJIN ZERUST and/or its Agents of the provisions of Article 6 hereof, NTI's and/or NTI ASEAN's remedy at law will be inadequate and NTI and NTI ASEAN will suffer irreparable injury. Accordingly, TIANJIN ZERUST consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and/or NTI ASEAN and in any court of competent jurisdiction to protect NTI and/or NTI ASEAN Trade Secrets. Such relief shall be in addition to any other relief to which NTI and/or NTI ASEAN may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Technical Assistance Agreement.

**ARTICLE 8**  
**COVENANT TO OBSERVE**  
**THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

8.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies and/or the applications of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

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8.2. Agreement Not to Divert Resources.

TIANJIN ZERUST and NTI ASEAN agree that during the term of this Technical Assistance Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term NTI ASEAN shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this Technical Assistance Agreement is terminated: (i) because of a material Breach of the Shareholders Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 9 hereof; (iv) pursuant to Article 10 hereof; or (v) upon a Breach of Articles 7 or 8 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 8 of this Technical Assistance Agreement for a period of three years following the date of termination, but shall at no time be permitted to use NTI and/or NTI ASEAN Trade Secrets for any activity outside the Corporation.

8.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 8 hereof by a Party, the remedy at law will be inadequate and that the other Party to this Technical Assistance Agreement shall suffer irreparable injury. Accordingly, each Party to this Technical Assistance Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the nonviolating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Technical Assistance Agreement.

**ARTICLE 9**  
**TERM OF AGREEMENT**

9.1. Indefinite Term.

This Technical Assistance Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

9.2. Termination.

This Technical Assistance Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

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- 9.2.1. Terminated by either Party in accordance with the provisions of Articles 7 or 8 hereof;

- 9.2.2. Terminated in accordance with Article 9.3 and/or Article 9.4 hereof;
- 9.2.3. Terminated by either Party by reason of a material Breach or Default of this Technical Assistance Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof; or
- 9.2.4. Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Technical Assistance Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

9.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this Technical Assistance Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

9.4. Termination Upon Bankruptcy or Insolvency.

If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into, an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Technical Assistance Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Technical Assistance Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Technical Assistance Agreement if:

- 9.4.1. Payments due under this Technical Assistance Agreement for past services are rendered in full;
- 9.4.2. Payments due under this Technical Assistance Agreement for present services are rendered pursuant to a payment schedule acceptable to the other Party or Parties; and

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- 9.4.3. All other provisions of this Technical Assistance Agreement are complied with fully.

9.5. Payment of Amounts Due.

In the event of termination of this Technical Assistance Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this Technical Assistance Agreement prior to the effective date of termination.

9.6. Cooperation Upon Termination.

Upon termination of this Technical Assistance Agreement, the Corporation shall cooperate with CMG in transferring CMG Trade Secrets to CMG or its designated assignee; and CMG and the Corporation shall cooperate with NTI and NTI ASEAN in transferring NTI Intellectual Property Rights, and NTI and/or NTI ASEAN Trade Secrets to NTI, NTI ASEAN or their designated assignee.

9.7. Non-Release of Obligations.

The termination of this Technical Assistance Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 7, upon termination of this Technical Assistance Agreement, NTI Intellectual Property Rights, together with NTI and/or NTI ASEAN Trade Secrets, shall continue to be kept secret and confidential by TIANJIN ZERUST.

9.8. Cessation of Rights Upon Termination.

Upon the termination of this Technical Assistance Agreement, for reason of Default or Breach of this Technical Assistance Agreement or of the Shareholders Joint Venture Agreement or of any Ancillary Agreement, all rights which the Defaulting Party may have under or pursuant to this Technical Assistance Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

**ARTICLE 10**  
**DEFAULT**

10.1. Event of Default.

A Default ("Default") hereunder shall exist in the event of:

- 10.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or

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- 10.1.2. A material Breach ("Breach") of any provision of this Technical Assistance Agreement other than Articles 7 and/or 8 hereof;

10.1.3. A Breach of Articles 7 and/or 8 hereof.

## 10.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 10.2.1. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Technical Assistance Agreement to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Technical Assistance Agreement unless the Party in Default or Breach shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- 10.2.2. Notwithstanding the forgoing, in the event of a violation of Articles 7 and/or 8 hereof by a Party hereto, the other Party may at its sole discretion terminate this Technical Assistance Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 7 or 8 hereof as provided herein.

## 10.3. Non-Waiver of Rights.

A Party's failure to terminate this Technical Assistance Agreement on account of any Breach or Default by the other Party as provided in Article 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Technical Assistance Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

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## **ARTICLE 11** **DISPUTE RESOLUTION**

### 11.1. Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 11.2 hereof, which may arise between the Parties during the term of this Technical Assistance Agreement, after the termination thereof, or following the liquidation or dissolution of TIANJIN ZERUST, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- 11.1.1. A dispute as to whether a Default exists;
- 11.1.2. A dispute as to whether a Default entitles the non-defaulting Party to terminate this Technical Assistance Agreement;
- 11.1.3. A dispute as to the validity of this Article 11;
- 11.1.4. A dispute relating to the construction, meaning, interpretation, application or effect of this Technical Assistance Agreement or anything contained herein;
- 11.1.5. A dispute as to the rights, obligations or liabilities of the Parties hereunder.

### 11.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this Technical Assistance Agreement:

- 11.2.1. Arbitration may not be invoked regarding matters expressed in this Technical Assistance Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 11.2.2. Arbitration may not be invoked if a Party violates the provisions of this Technical Assistance Agreement relating to NTI Intellectual Property Rights, NTI and/or NTI Asean Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 7 and 8 hereof shall apply.

### 11.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on at the Arbitration Commission of the International Chamber of Commerce of Singapore, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this Technical Assistance Agreement, the laws of the People's Republic of China shall apply. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

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### 11.4. Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this Technical Assistance Agreement, the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

11.5. Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

**ARTICLE 12**  
**GENERAL PROVISIONS**

12.1. Benefit of Parties.

All of the terms and provisions of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations hereunder to a third party without the written consent of the other Party; provided, however, that a Party may assign this Technical Assistance Agreement and all of a Party's rights hereunder (or a portion of this Technical Assistance Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of a Party's obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

12.2. Counterparts.

This Technical Assistance Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3. Cooperation.

During the term of this Technical Assistance Agreement, each Party shall cooperate with and assist each Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Technical Assistance Agreement as well as those of the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

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12.4. Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this Technical Assistance Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Technical Assistance Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Technical Assistance Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Technical Assistance Agreement before or after they are defined.

12.5. Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Technical Assistance Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, conditions, Breach or Default hereunder.

12.6. Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Technical Assistance Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Technical Assistance Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

12.7. Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Technical Assistance Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL, UPS or equivalent, as follows:

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If to Tianjin Zerust, to:

TIANJIN ZERUST Anti-Corrosion Technologies Ltd.  
No 127 Tower 1 Huoju Building Huayuan Industry Zone,  
Tianjin, People's Republic Of China  
Attention: Mr. Meng Tao  
Telefax: 011 86 022 2367 0120

Copy to:

Tianjin China March Group Ltd.  
Huoju Building Huayuan Industry Zone, Tianjin  
Attention: Mr. Zhang Binhua  
Telefax: 86 022 2367 0120

Copy to: NTI ASEAN LLC  
c/o Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-612-784-2902

Copy to: Mr. Yoshiharu Rikuta  
Mr. Haruhiko Rikuta  
Taiyo Petroleum Gas Co., LTD.  
4-9 Nihonbashi-honcho 1-chome  
Chuo-ku Tokyo 103  
Japan  
Telefax: 81 33 242 0986

Copy to: Northern Technologies International Corporation  
Attention: Chairman  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

12.8. Entire Agreement.

This Technical Assistance Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of execution of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Technical Assistance Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this Technical Assistance Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this Technical Assistance Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

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12.9. Validity of Provisions.

Should any part of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Technical Assistance Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

12.10. Governmental Filings.

TIANJIN ZERUST shall be responsible for the preparation and filing of all necessary reports relating to this Technical Assistance Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI ASEAN shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

12.11. Payments.

Any payment to be made by TIANJIN ZERUST to NTI ASEAN pursuant to any provision of this Technical Assistance Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI ASEAN. NTI ASEAN shall have the right to specify in writing any bank account to which payments due shall be made.

12.12. Derivative Enforcement by CMG.

CMG may, derivatively for and on behalf of TIANJIN ZERUST, enforce the terms hereof against NTI ASEAN in the event of a material Breach or Default of this Agreement by NTI ASEAN. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 11 hereof.

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12.13. Changes Subject to Approval of CMG.

The parties to this Technical Assistance Agreement shall not change, modify or amend this Technical Assistance Agreement in any respect without the prior written consent of CMG.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**NTI ASEAN, LLC**

**TIANJIN ZERUST ANTI-CORROSION  
TECHNOLOGIES LTD.**

By /s/ \_\_\_\_\_

By /s/ \_\_\_\_\_

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**APPROVAL OF TIANJIN CHINA MARCH GROUP LTD.**

By its signature hereto CMG approves and agrees to the terms and provisions of this Technical Assistance Agreement and of the form of the NTI and/or NTI ASEAN Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that CMG shall also have a direct right of action in its own name for the enforcement of the provisions of this Technical Assistance Agreement.

**TIANJIN CHINA MARCH GROUP LTD.**

By /s/ \_\_\_\_\_

Date \_\_\_\_\_

1/9/99

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LICENSE AGREEMENT

BY AND BETWEEN

NTI ASEAN LLC

AND

TIANJIN ZERUST ANTI-CORROSION TECHNOLOGIES LTD.

DATED AS OF 1 SEPTEMBER, 1999

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## LICENSE AGREEMENT

This License Agreement is made and entered into as of this 1 day of September, 1999, by and between NTI ASEAN, LLC, whose registered office is located in Reno, Nevada, U.S.A. (hereinafter “NTI ASEAN”) and TIANJIN ZERUST ANTI-CORROSION TECHNOLOGIES LTD., whose principal office is located at No. 127 Tower 1 Huoju Building, Huayuan Industrial Zone, Tianjin, P.R.China (hereinafter “TIANJIN ZERUST”).

### ARTICLE 1 DEFINITIONS

For the purposes of this License Agreement, the following Definitions of terms shall apply:

#### 1.1. Shareholders Joint Venture Agreement or Agreement.

That certain Shareholders Joint Venture Agreement by and between NTI ASEAN (as hereinafter defined), and CMG (as hereinafter defined), for the formation and governance of a new entity under the laws of The People’s Republic of China in the form of a limited liability company which shall be known as TIANJIN ZERUST (“TIANJIN ZERUST”).

1.2. Ancillary Agreements.

The following are the Ancillary Agreements and the Parties thereto:

- 1.2.1. Consulting Services Agreement For Management and Sales Representation between CMG and TIANJIN ZERUST (“Consulting Services Agreement”);
- 1.2.2. License Agreement between NTI ASEAN and TIANJIN ZERUST (“License Agreement”); and
- 1.2.3. Technical Assistance and Marketing Support Agreement between NTI ASEAN and TIANJIN ZERUST (“Technical Assistance Agreement”).

1.3. Parties.

The Parties to the Shareholders Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns.

1.4. CMG.

CMG, a limited liability company organized under the laws of The People’s Republic of China, and the owner of a 50% interest in the Corporation pursuant to the terms of the Agreement. The ownership of CMG is as follows: Container (Beijing) Industrial Company, 20%; Tianjin CNCC Zhi Hua Trading Ltd., 5%; Ping Shan CNCC Si Qiang Group Company, 66% and CNCC 9%.

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1.5. NTI.

Northern Technologies International Corporation, a company organized under the laws of the State of Delaware, U.S.A. the principal place of business of which is Lino Lakes, Minnesota, U.S.A. NTI is the owner of the NTI Intellectual Property Rights (as hereinafter defined), and of a 50% in NTI ASEAN (as hereinafter defined).

1.6. Taiyo.

Taiyo Petroleum Gas Co Ltd. A Kabushiki Kaisha organized under the laws of Japan and the owner of a 50% interest in Party B (as hereinafter defined).

1.7. NTI ASEAN.

NTI ASEAN, LLC, a Limited Liability Company, organized under the laws of the State of Nevada, U.S.A., whose registered office is in Reno, Nevada, U.S.A., to which NTI has assigned all of its right, title and interest in the NTI Intellectual Property Rights (as hereinafter defined) for the Territory (as hereinafter defined), and the owner of a 50% interest in the Corporation pursuant to the Agreement.

1.8. NTI and/or NTI ASEAN Affiliates.

All entities and/or individuals with which NTI and/or NTI ASEAN has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Shareholders Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of Knowhow, Materials, Process, Product and/or Masterbatch anywhere in the world.

1.8.1. NTI Affiliates.

The NTI Affiliates as of the date hereof are set forth in Annex I to the Shareholders Joint Venture Agreement.

1.8.2. NTI ASEAN Affiliates.

The NTI Asean affiliates as of the date hereof are set forth in Annex II to the Shareholders Joint Venture Agreement.

1.9. Corporation or Joint Venture.

TIANJIN ZERUST, that entity created in the Territory by the Parties pursuant to the Shareholders Joint Venture Agreement to conduct the Corporation’s Business.

1.10. Corporation’s Business.

The Corporation’s Business shall be the manufacturing, marketing and distribution of Product, pursuant to NTI Intellectual Property Rights, and any other technologies as shall be determined by the Parties in writing and made a part hereof pursuant to Article 1.21 of this Agreement, in the Territory.

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1.11. Territory.

The People’s Republic of China.

1.12. Effective Date.

The date upon which all necessary formal approvals from the appropriate authorities of The People’s Republic of China for the Shareholders Joint Venture Agreement have been obtained and the Corporation has been duly registered pursuant to the Shareholders Joint Venture Agreement and the Ancillary Agreements as appropriate in the Territory.

1.13. NTI Intellectual Property Rights.

The Knowhow, Materials, Process, Product, Masterbatch, Trademark, and NTI and/or NTI ASEAN Trade Secrets, (all as hereinafter defined), collectively, as such currently exist and shall hereafter be modified, developed and/or acquired by NTI.

1.14. Knowhow.

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper application of the Process, together with all improvements and modifications with respect thereto.

1.15. Materials.

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

1.16. Process.

The procedure utilizing the Knowhow for the manufacture of polyethylene substances with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene substances, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

1.17. Product.

Corrosion inhibiting polyethylene film and solid substances of polyethylene in the form of boxes, tubes and other containers, which may include other volatile corrosion inhibiting host packaging substances such as paper, manufactured by means of the Process, incorporating the Materials and utilizing the Trademark, all of which have been developed and are owned by NTI.

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1.18. Masterbatch.

Any formulation of the Materials which shall be designated by NTI, as appropriate, to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

1.19. Trademark.

The name and style "ZERUST", which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto, together with any ancillary trademark registrations, which may differ between various jurisdictions.

1.20. NTI and/or NTI ASEAN Trade Secrets.

All information deemed and designated confidential, both in the Shareholders Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Knowhow, Materials, Process, Product and/or Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business and Intellectual Property Rights of NTI, NTI ASEAN, the Corporation and NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere.

1.21. Other Agreed Upon Technologies.

In conformity with the objectives of the Parties hereto to expand the Corporation's Business over time, the Parties shall endeavor to identify products, materials and/or technologies, which are both compatible with the Corporation's Business, and susceptible of being profitably marketed through and/or by the Corporation in the Territory. Upon joint agreement of the Parties, in writing, to adopt such new products, materials and/or technologies within the scope of the Corporation's Business, and successful negotiation of requisite commercial rights to commercialize such new products, materials and/or technologies in the Territory, such new products, materials and/or technologies shall be deemed to be incorporated within the Corporation's Business as "Other Agreed Upon Technologies" to be treated as set forth in this License Agreement.

1.22. Net Sales.

The total proceeds from the sale of Product and Other Agreed Upon Technologies sold by the Corporation in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated with any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties. Sales made to an entity which is not affiliated with any Party of this Agreement through an affiliated entity, in accordance with article 4.3 of the Management and Sales Representation Agreement shall be included in total proceeds for the purpose of this definition of Net Sales.

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1.23. At Cost.

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription "At Cost").

1.24. Shareholder.

Any holder, from time to time, of an Equity Interest in the Corporation and who presently is a Party to the Shareholders Joint Venture Agreement or who may become a Party to the Shareholders Joint Venture Agreement in the future.

1.25. Equity Interest.

Any validly issued Equity Interest in the Corporation owned by any Shareholder pursuant to the Shareholders Joint Venture Agreement.

1.26. Transfer of Equity Interest.

Any sale, transfer, assignment, pledge or disposition of Equity Interests in the Corporation in any way, whether voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means.

1.27. Transferor of Equity Interest.

A Shareholder who declares an intention to Transfer an Equity Interest in the Corporation and/or initiates the Transfer of an Equity Interest.

1.28. Transfer Price for Equity Interest.

The price per share for the Equity Interest of the Corporation offered on an arm's-length basis by an outside party to the Transferor in a bona fide written offer.

1.29. Transferee.

Any new Shareholder, who has heretofore not been a party to the Shareholders Joint Venture Agreement, who acquires his Equity Interest pursuant to the provisions of the Shareholders Joint Venture Agreement, and who thereafter signs and becomes a Party to the Shareholders Joint Venture Agreement.

1.30. Change of Control.

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Shareholders Joint Venture Agreement or the Ancillary Agreements.

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**ARTICLE 2**  
**GRANT OF LICENSE BY NTI ASEAN TO**  
**TIANJIN ZERUST WITH RESPECT TO PRODUCT**

2.1. NTI ASEAN's Representations.

NTI ASEAN hereby represents to TIANJIN ZERUST that it has been assigned all of NTI's Right, Title and Interest in NTI Intellectual Property Rights for the Territory and that it is free to license and to disclose same to TIANJIN ZERUST.

2.2. Grant of License by NTI ASEAN to TIANJIN ZERUST with Respect to Product.

NTI ASEAN hereby grants to TIANJIN ZERUST upon the terms, provisions and conditions set forth herein, an exclusive, non-transferable right and license to the Knowhow and Process to make, have made, use, sell or otherwise dispose of Product incorporating Masterbatch under the Trademark within the Territory. TIANJIN ZERUST shall not sell, distribute, promote or solicit customers for Product outside of the Territory including but not limited to such countries or regions where (i) NTI and/or NTI ASEAN has a corresponding patent(s) filed and in effect; (ii) NTI and/or NTI ASEAN has licensed or otherwise authorized the use of the Trademark; (iii) NTI and/or NTI ASEAN has granted exclusive sales rights to a third party licensee; (iv) NTI and/or NTI ASEAN has formed an alliance with another NTI and/or NTI ASEAN Affiliate; or (v) NTI and/or NTI ASEAN engages in the regular sale of Product.

2.3. Commitment to NTI ASEAN by TIANJIN ZERUST in Consideration of Exclusive License to Intellectual Property Rights in Territory.

TIANJIN ZERUST agrees that during the term of this License Agreement it shall not, without the prior written consent of NTI ASEAN, enter into a license agreement, distribution agreement or any other agreement or relationship with any other party for the use of such party's processes, knowhow, techniques and procedures which would in any way conflict with, substitute, displace or impede the Corporation's Business within the Territory; and acknowledges that such action would constitute a violation of Article 8 hereof.

2.4. Enlargement of Scope of NTI Intellectual Property Rights Not Subject to This License.

It is recognized that over a period of time the scope of the NTI Intellectual Property Rights not covered by this License Agreement may expand in related areas. The addition of such additional NTI Intellectual Property Rights under this License Agreement shall be as mutually agreed by NTI ASEAN and TIANJIN ZERUST, based upon their joint assessment of the prospective market therefor within the Territory and the suitability of including such additional NTI Intellectual Property Rights within the Corporation's Business.

2.5. Claims Against TIANJIN ZERUST for Infringement.

Notwithstanding the provisions of Article 2.1 hereof, in the event that any third party shall claim that TIANJIN ZERUST is infringing upon its patents or other intellectual property rights, TIANJIN ZERUST shall promptly notify NTI ASEAN of such claims. Thereafter, NTI ASEAN and TIANJIN ZERUST shall together determine an appropriate course of conduct in response to such claims.

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**ARTICLE 3**  
**IMPROVEMENTS AND MODIFICATIONS TO**  
**NTI INTELLECTUAL PROPERTY RIGHTS**

3.1. Ongoing Research and Development by NTI.

NTI shall continue its efforts in research and development to improve the NTI Intellectual Property Rights and NTI ASEAN shall make the results of such research and development available to TIANJIN ZERUST through this License Agreement.

3.2. Improvements to NTI Intellectual Property Rights by NTI and/or NTI ASEAN.

Any and all improvements or modifications to the NTI Intellectual Property Rights, of whatever nature and description, made by or through NTI and/or NTI ASEAN, or acquired by either of them, or coming under their control during the term of this License Agreement, which relate to the Product and which are suitable and useful in the Corporation's Business, shall be deemed to be covered by this License Agreement and shall be made available to TIANJIN ZERUST without any royalty payment therefor in addition to the payments provided for in this License Agreement. It is understood, however, that if NTI and/or NTI ASEAN should acquire improvements in or modifications to the NTI Intellectual Property Rights by means of a license from a third party, then NTI's and/or NTI ASEAN's obligations hereunder shall be subject to the provisions of such license.

3.3. Disclosure of Improvements in and Modifications to the NTI Intellectual Property Rights by NTI and/or NTI ASEAN to TIANJIN ZERUST.

NTI and/or NTI ASEAN agree to disclose to TIANJIN ZERUST promptly any and all improvements in or modifications to the NTI Intellectual Property Rights as covered by this License Agreement, and any and all Knowhow and technical information which NTI and/or NTI ASEAN may acquire with respect to or relating to any such improvements or modifications. Anything in this License Agreement or the Shareholders Joint Venture Agreement to the contrary notwithstanding, in the event that:

- 3.3.1. NTI and/or NTI Asean should determine that any such improvements in or modifications to the NTI Intellectual Property Rights, which are proprietary to either of them, are themselves patentable and the disclosure thereof would in any manner adversely affect NTI's and/or NTI Asean's ability to obtain a patent with respect thereto or would otherwise be adverse to their best interests with respect to the protection of the NTI Intellectual Property Rights related thereto; and/or
- 3.3.2. NTI and/or NTI Asean intend to file or have filed a patent application with respect thereto; then neither NTI nor NTI ASEAN shall be under any obligation to make disclosure thereof to TIANJIN ZERUST until they have obtained adequate patent protection in the opinion of their patent counsel. When such patent protection has been obtained, the subject improvements or modifications will then be disclosed promptly to TIANJIN ZERUST and the same will fall within the scope of the License granted to TIANJIN ZERUST pursuant to this License Agreement.

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**ARTICLE 4**  
**GRANT OF RIGHT AND LICENSE BY TIANJIN ZERUST TO NTI**  
**CONCERNING IMPROVEMENTS IT MAY ACQUIRE TO**  
**NTI INTELLECTUAL PROPERTY RIGHTS**

4.1. Disclosure of Improvements to NTI ASEAN by TIANJIN ZERUST.

TIANJIN ZERUST agrees to disclose promptly to NTI ASEAN any improvements in or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by TIANJIN ZERUST or which are made by or through its efforts, without any obligation by NTI or NTI ASEAN to make payment therefor.

4.2. Grant of Right and License by TIANJIN ZERUST to NTI and/or NTI ASEAN.

TIANJIN ZERUST hereby grants to NTI and/or NTI ASEAN an exclusive, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and knowhow owned, controlled, or acquired by TIANJIN ZERUST or which may otherwise be transferred or granted to TIANJIN ZERUST during the term of this License Agreement and for a period of two years following the termination hereof to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements in and modifications to NTI Intellectual Property Rights together with the Knowhow, Materials, Process, Product and/or Masterbatch, and/or to sublicense third parties to do the same.

4.3. Obligations of TIANJIN ZERUST Concerning the Filing of New Patents.

TIANJIN ZERUST agrees that at NTI's and/or NTI ASEAN's request and at NTI's and/or NTI ASEAN's cost it will promptly file and diligently prosecute applications for letters patent in the name of NTI on any and all patentable improvements to NTI Intellectual Property Rights coming into its purview. TIANJIN ZERUST further agrees, upon NTI's and/or NTI ASEAN's request and at NTI's and/or NTI ASEAN's cost, that it will promptly file and diligently prosecute corresponding patent applications in the name of NTI in such other countries outside the Territory as are designated by NTI and/or NTI ASEAN.

4.4. Review of Potentially Infringing Technology.

In the event that TIANJIN ZERUST shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then TIANJIN ZERUST shall forthwith provide NTI and/or NTI ASEAN with whatever information it may have with respect thereto. NTI and/or NTI ASEAN and TIANJIN ZERUST will then consult with one another as to:

- 4.4.1. Taking appropriate legal action against such third party for infringement of NTI Intellectual Property Rights together with NTI and/or NTI ASEAN Trade Secrets; and/or
- 4.4.2. Purchasing, licensing or otherwise acquiring such technology, processes or patents from such third parties, in which event such rights as are acquired shall be extended to NTI and/or NTI ASEAN pursuant to Article 4.2 hereof. In such event, based upon the joint decision of the Parties, TIANJIN ZERUST shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

**ARTICLE 5**  
**RESPONSIBILITIES OF NTI ASEAN TO TIANJIN ZERUST**  
**WITH RESPECT TO THE LICENSING OF**  
**OTHER AGREED UPON TECHNOLOGIES**

5.1. Agreement of the Parties to Add Other Agreed Upon Technologies to the Scope of the Corporation's Business.

The Parties to the Shareholders Joint Venture Agreement and to the Ancillary Agreements agree that it is a stated objective to build TIANJIN ZERUST by adding Other Agreed Upon Technologies to the Scope of the Corporation's Business.

5.2. Search for Other Agreed Upon Technologies.

NTI ASEAN shall diligently search for Other Agreed Upon Technologies, appropriate for the Territory, which might reasonably be included within the Scope of the Corporation's Business.

5.3. Licensing Strategy for Other Agreed Upon Technologies.

The Parties agree to cooperate with each other in evaluating licensing opportunities and in promulgating strategy with respect to negotiating and concluding license agreements for Other Agreed Upon Technologies for and on behalf of the Corporation in the Territory. Further, the Parties to this License Agreement and to the Shareholders Joint Venture Agreement agree that NTI shall take the lead with respect to negotiating the most favorable terms possible with the owner(s) of the intellectual property rights with respect to Other Agreed Upon Technologies which the Parties wish to add to the scope of the Corporation's Business in the Territory; but that NTI ASEAN shall not conclude any agreement for such intellectual property rights for and on behalf of TIANJIIN ZERUST in the Territory, without the express written approval of CMG and TIANJIN ZERUST, which approval shall not be unreasonable withheld.

5.4. Development of the Market for Other Agreed Upon Technologies, Once Licensed, in the Territory.

The Parties recognize that the structure of the market for Other Agreed Upon Technologies in the Territory will require a different approach from that required by the structure of the market of Product. There is therefore an element of uncertainty relative to the market for Other Agreed Upon Technologies for planning purposes. The Parties agree, however, to cooperate in fulfilling the terms of such license agreements as may be concluded with the joint approval of the Parties, for Other Agreed Upon Technologies, which shall generally comport a "best efforts" commitment by the Parties jointly to maximize the commercial and financial results for TIANJIN ZERUST of the Corporation's Business with respect to Other Agreed Upon Technologies, in accordance with the provisions of the Shareholders Joint Venture Agreement and the Ancillary Agreements.

**ARTICLE 6**  
**ROYALTIES**

6.1. Basis for Royalties With Respect to Product.

TIANJIN ZERUST shall pay the royalties to NTI ASEAN with respect to Product which are provided for in Article 6 of this License Agreement in consideration of the grant of License as set forth in Article 2 hereof, which includes certain rights to NTI Intellectual Property Rights, the Knowhow, Materials, Process, Product, Masterbatch and Trademark, together with the NTI and/or NTI ASEAN Trade Secrets disclosed herewith or furnished at a later date under this License Agreement by NTI ASEAN to TIANJIN ZERUST. Such royalty payments shall be made throughout the entire term of this License Agreement as compensation in full for the rights set forth above and duly licensed by NTI ASEAN to TIANJIN ZERUST, provided that NTI, together with NTI ASEAN maintains diligent, tangible effort to improve the NTI Intellectual Property Rights licensed to TIANJIN ZERUST hereunder, in accordance with Articles 3.1 and 3.2 hereof.

6.2. Royalties Due with Respect to Product.

TIANJIN ZERUST shall pay to NTI ASEAN a royalty equal to seven and one-half percent (7.5%) of Net Sales of Product by the Corporation. Royalties, less applicable withholding tax, shall be paid in U.S. Dollars to an account or accounts as may be designated by NTI ASEAN from time to time.

6.3. Royalties Payable to NTI ASEAN With Respect to Other Agreed Upon Technologies.

Royalties to be paid by TIANJIN ZERUST to NTI ASEAN with respect to Other Agreed Upon Technologies shall be as agreed between the Parties on a case-by-case basis. Upon completion of a satisfactory agreement to license the rights to include advanced products, materials and/or technologies, under terms acceptable to the Parties, within the scope of the Corporation's Business as an Other Agreed Upon Technology, NTI ASEAN shall perform substantially the same functions directly and/or cause the performance of substantially the same functions for the Corporation under this License Agreement with respect to each Other Agreed Upon Technology, that it does with respect to NTI Intellectual Property Rights, including but not limited to NTI and/or NTI ASEAN's commitment to ongoing research and development of Other Agreed Upon Technologies as set forth in Articles 3.1 and 3.2 hereof. Accordingly, the percentage of royalties to be paid to NTI ASEAN with respect to Net Sales of Other Agreed Upon Technologies shall, unless otherwise agreed between the Parties, be equal to the percentage of royalties paid by TIANJIN ZERUST to NTI ASEAN with respect to Net Sales of Product.

6.4. No Separate Compensation to NTI ASEAN on Technology Transfer.

There shall be no separate compensation to NTI ASEAN for the transfer of technology to TIANJIN ZERUST with respect to NTI Intellectual Property Rights or rights to Other Agreed Upon Technologies, beyond the royalty payments payable to NTI ASEAN on the actual sale of Product and goods based upon Other Agreed Upon Technologies by the Corporation, as set forth in Articles 6.1., 6.2. and 6.3. hereof.

6.5. When a Sale is Deemed to Occur.

A sale shall be deemed to have occurred when Product or goods based upon Other Agreed Upon Technologies have been billed, or (if not billed) delivered to and fully paid for by a customer.

6.6. License Year.

The term "License Year" shall mean any twelve (12) month period ending on December 31, except that the first License Year shall commence on the Effective Date, and end at the next December 31 date.

6.7. Statements to NTI ASEAN.

Within sixty (60) days after the last day of each quarterly period in each License Year, TIANJIN ZERUST shall:

- 6.7.1. Prepare and deliver to NTI ASEAN a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for, and with respect to, all elapsed quarterly periods for the License Year:
- (i) The total amount of Net Sales of Product (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer);
  - (ii) The total amount of royalties on such Net Sales of Product (computed as hereinbefore provided) payable to NTI Asean.
  - (iii) The total amount of Net Sales of Other Agreed Upon Technologies (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - (iv) The total amount of royalties on such Net Sales of Other Agreed Upon Technologies (computed as hereinbefore provided) payable to NTI Asean.
- 6.7.2. Pay to NTI ASEAN the full amount of the royalties to which it is entitled for and with respect to the period or periods of the License Year covered by the statement(s) provided for in Article 6.7.1 hereof.

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6.8. Books and Records.

TIANJIN ZERUST covenants and agrees:

- 6.8.1. That it will keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales of Product and Other Agreed Upon Technologies and all additional data and information which may be reasonably necessary to enable NTI's or NTI ASEAN's independent accountants to verify the completeness and accuracy of each item of information which TIANJIN ZERUST is required to set forth in each of the statements referred to in Article 6.7.1;
- 6.8.2. That it will keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and
- 6.8.3. That it will make such commercial and financial records, books of account, data and information available to NTI ASEAN's representatives and to NTI ASEAN's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which TIANJIN ZERUST is required to set forth in each of the statements referred to in Article 6.7.1 hereof. In addition, NTI ASEAN shall have the right to make copies of any of the foregoing. The independent accountants of TIANJIN ZERUST shall in the ordinary course of business provide written confirmation and certification to NTI ASEAN, at least annually, of the data to be supplied to NTI ASEAN pursuant to Article 6.7.1 hereof. The cost of such reports shall be borne by TIANJIN ZERUST. In the event that NTI ASEAN shall cause its representatives to confirm or verify the accuracy of the data supplied by TIANJIN ZERUST, then the costs and fees of such representatives shall be borne by NTI ASEAN unless such representatives shall determine, to the satisfaction of TIANJIN ZERUST's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of NTI ASEAN's representatives and/or accountants shall be borne by TIANJIN ZERUST.

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**ARTICLE 7**  
**PROTECTION OF NTI AND/OR**  
**NTI ASEAN TRADE SECRETS**

7.1. Recognition of NTI and/or NTI ASEAN Trade Secrets.

TIANJIN ZERUST acknowledges and agrees that (i) NTI Intellectual Property Rights; (ii) NTI and/or NTI ASEAN Trade Secrets; (iii) the Knowhow, Materials, Process, Product and Masterbatch; and (iv) other information deemed confidential by NTI and/or NTI ASEAN and designated herein and hereafter relating to the business of NTI and/or NTI ASEAN, of the Corporation, and of NTI and/or NTI ASEAN Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost and cost accounting data, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins, are also included within the definition of NTI and/or NTI ASEAN Trade Secrets set forth in Article 1.20 hereof and constitute valuable property rights of NTI, NTI ASEAN and NTI and/or NTI ASEAN Affiliates.

7.2. Protection of NTI and/or NTI ASEAN Trade Secrets.

TIANJIN ZERUST agrees that during the term of this License Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI and/or NTI ASEAN Trade Secrets which it now knows or may hereafter come to know as a result of the Shareholders Joint Venture Agreement and Ancillary Agreements. NTI and/or NTI ASEAN Trade Secrets shall not be disclosed by TIANJIN ZERUST to third parties and shall be kept secret and confidential, except (i) to the extent that the same have entered into the public domain by means other than the improper actions of TIANJIN ZERUST, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI and/or NTI ASEAN Trade Secret shall be in the public domain as the result of an act by TIANJIN ZERUST or any Agent (as hereinafter defined) or Submanufacturer (as hereinafter defined) thereof, then TIANJIN ZERUST shall nevertheless continue to keep such NTI and/or NTI ASEAN Trade Secret secret and inviolate.

7.3. Protection of NTI and/or NTI ASEAN Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of TIANJIN ZERUST.

Neither TIANJIN ZERUST, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location, or retain without NTI ASEAN's prior written consent, the originals or copies of any NTI and/or NTI ASEAN Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI and/or NTI ASEAN. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI and/or NTI ASEAN Trade Secrets be strictly maintained both as to original documents and copies thereof.

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- 7.3.1. Insofar as the officers, employees and consultants of TIANJIN ZERUST (herein collectively "Agents") who come in contact with NTI and/or NTI ASEAN Trade Secrets are concerned, TIANJIN ZERUST shall cause such Agents to enter into NTI and/or NTI ASEAN Trade Secrecy Agreements substantially in the form of Appendix I to this License Agreement. TIANJIN ZERUST shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the NTI and/or NTI ASEAN Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.
- (i) To the extent that TIANJIN ZERUST provides Masterbatch to Submanufacturers in requisite quantities to allow such Submanufacturers to manufacture Product in the Territory in such volumes and forms as may be required for the Corporation's Business ("Submanufacturers"), it is understood that TIANJIN ZERUST may find it necessary to disclose certain NTI and/or NTI ASEAN Trade Secrets to such Submanufacturers for such purposes only;
  - (ii) NTI and/or NTI ASEAN Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI ASEAN and who have entered into NTI and/or NTI ASEAN Trade Secrecy Agreements with TIANJIN ZERUST in a form approved by NTI ASEAN, but substantially in the form of the NTI and/or NTI ASEAN Trade Secrecy Agreement set forth in Appendix I hereof;
  - (iii) Moreover, only those NTI and/or NTI ASEAN Trade Secrets which are absolutely essential for the functions to be performed by such Submanufacturers shall be disclosed to them.
- 7.3.2. TIANJIN ZERUST shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to apply the Process with respect to Product, incorporating Masterbatch, for the account of TIANJIN ZERUST. Upon completion of any order for such Process of Product by a Submanufacturer, TIANJIN ZERUST shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer in the Process and so take title to the Product, and shall require the return by the Submanufacturer of any Materials or Masterbatch not utilized in the Process.
- 7.3.3. The Parties hereby agree and acknowledge that NTI and/or NTI ASEAN are intended third party beneficiaries of the NTI and/or NTI ASEAN Trade Secrecy Agreements, and that NTI and/or NTI ASEAN may each, in its sole discretion, on its own behalf or derivatively and/or on behalf of the Corporation directly enforce the provisions of the NTI and/or NTI ASEAN Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 7.3.1 hereof) and/or Submanufacturers (as defined in Article 6.3.1(i) hereof) who have executed same.

7.4. Remedies in the Event of a Violation of Article 7 Hereof.

It is understood and recognized by TIANJIN ZERUST that in the event of any violation by TIANJIN ZERUST and/or its Agents of the provisions of Article 7 hereof, NTI 's and/or NTI ASEAN's remedy at law will be inadequate and NTI and NTI ASEAN will suffer irreparable injury. Accordingly, TIANJIN ZERUST consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and/or NTI ASEAN and in any court of competent jurisdiction to protect NTI and/or NTI ASEAN Trade Secrets. Such relief shall be in addition to any other relief to which NTI and/or NTI ASEAN may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this License Agreement.

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**ARTICLE 8**  
**COVENANT TO OBSERVE THE**  
**DOCTRINE OF "CORPORATE OPPORTUNITY"**

8.1. Doctrine of Corporate Opportunity and Observance Thereof.

It is the intent of the Parties to this License Agreement, the Shareholders Joint Venture Agreement and to the other Ancillary Agreements to deal solely with each other with respect to the commercial, technical and strategic development of the Corporation's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact the performance of their duties under the Shareholders Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting Net Sales of Product and/or of Other Agreed Upon Technologies and/or the applications of NTI Intellectual Property Rights, in the Territory; except as specifically agreed to by the Parties in furtherance of the Corporation's Business ("Corporate Opportunity").

### 8.2. Agreement Not to Divert Resources.

TIANJIN ZERUST and NTI ASEAN agree that during the term of this License Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of Product and/or of Other Agreed Upon Technologies from the Corporation within the Territory except through the Corporation in furtherance of the Corporation's Business. During said term NTI ASEAN shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Corporation. In the event that this License Agreement is terminated: (i) because of a material Breach of the Shareholders Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 9 hereof; (iv) pursuant to Article 10 hereof; or (v) upon a Breach of Articles 7 or 8 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of Article 8 of this License Agreement for a period of three years following the date of termination, but shall at no time be permitted to use NTI and/or NTI ASEAN Trade Secrets for any activity outside the Corporation.

### 8.3. Remedies for Breach of Agreement Not to Divert Resources.

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 8 hereof by a Party, the remedy at law will be inadequate and that the other Party to this License Agreement shall suffer irreparable injury. Accordingly, each Party to this License Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by the non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this License Agreement.

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## **ARTICLE 9**

### **TERM OF AGREEMENT**

#### 9.1. Indefinite Term.

This License Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

#### 9.2. Termination.

This License Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- 9.2.1. Terminated by either Party in accordance with the provisions of Articles 7 or 8 hereof;
- 9.2.2. Terminated in accordance with Article 9.3 and/or Article 9.4 hereof;
- 9.2.3. Terminated by either Party by reason of a material Breach or Default of this License Agreement by the other Party which has not been cured or remedied in accordance with Article 10 hereof; or
- 9.2.4. Terminated automatically, in conjunction with the termination of the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such agreement by a Party thereto, which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this License Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

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#### 9.3. Termination Upon Change of Control of a Party.

In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to such Party, terminate this License Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written understanding of the other Party.

#### 9.4. Termination Upon Bankruptcy or Insolvency.

If a Party hereto shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against a Party legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of such Party's property, or if a Party makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this License Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this License Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this License Agreement if:

- 9.4.1. Payments due under this License Agreement for past obligations are rendered in full;
- 9.4.2. Payments due under this License Agreement for present obligations are rendered pursuant to a payment schedule acceptable to the other Party; and
- 9.4.3. All other provisions of this License Agreement are complied with fully.

#### 9.5. Payment of Amounts Due.

In the event of termination of this License Agreement, each Party shall pay to the other Party all amounts due and owing pursuant to this License Agreement prior to the effective date of termination.

9.6. Cooperation Upon Termination.

Upon termination of this License Agreement, the Corporation shall cooperate with CMG in transferring CMG Trade Secrets to CMG or its designated assignee; and CMG and Corporation shall cooperate with NTI and NTI ASEAN in transferring NTI Intellectual Property Rights together with NTI and/or NTI ASEAN Trade Secrets, to NTI, NTI ASEAN or their designated assignee.

9.7. Non-Release of Obligations.

The termination of this License Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 7, upon termination of this License Agreement, NTI and/or NTI ASEAN Trade Secrets shall continue to be kept secret and confidential by TIANJIN ZERUST.

9.8. Cessation of Rights Upon Termination.

Upon the termination of this License Agreement, for reason of Default or Breach of this License Agreement or of the Shareholders Joint Venture Agreement or of any Ancillary Agreement, all rights which the Defaulting Party may have under or pursuant to this License Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 11 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default and/or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the Arbitration Panel shall forthwith appoint same.

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**ARTICLE 10**  
**DEFAULT**

10.1. Event of Default.

A Default ("Default") hereunder shall exist in the event of:

- 10.1.1. Non-payment of funds by one Party to another Party when due and owing; and/or
- 10.1.2. A material Breach ("Breach") of any provision of this License Agreement other than Articles 7 and/or 8 hereof, of the Shareholders Joint Venture Agreement, or any of the other Ancillary Agreements; and or
- 10.1.3. A Breach of Articles 7 and/or 8 hereof

10.2. Remedies Upon Default or Breach.

The remedies available to each Party in an instance of Default or Breach by the other Party shall be as follows:

- 10.2.1. If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this License Agreement to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this License Agreement unless the Party in Default or Breach shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- 10.2.2. Notwithstanding the foregoing, in the event of a violation of Articles 7 and/or 8 hereof by a Party hereto, the other Party may at its sole discretion terminate this License Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 7 and/or 8 hereof as provided herein.

10.3. Non-Waiver of Rights.

A Party's failure to terminate this License Agreement on account of any Breach or Default by the other Party as provided in Article 10.1 or 10.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this License Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 10.2 hereof), or on account of any subsequent Breach or Default by a Party.

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**ARTICLE 11**  
**DISPUTE RESOLUTION**

11.1. Dispute Resolution by Arbitration.

Any and all disputes, except as excluded under Article 11.2 hereof, which may arise between the Parties during the term of this License Agreement, after the termination thereof, or following the liquidation or dissolution of TIANJIN ZERUST, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration, including but not limited to the following:

- 11.1.1. A dispute as to whether a Default exists;

- 11.1.2. A dispute as to whether a Default entitles the non-defaulting Party to terminate this License Agreement;
- 11.1.3. A dispute as to the validity of this Article 11;
- 11.1.4. A dispute relating to the construction, meaning, interpretation, application or effect of this License Agreement or anything contained herein;
- 11.1.5. A dispute as to the rights, obligations or liabilities of the Parties hereunder.

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11.2. Disputes Not Subject to Arbitration.

Notwithstanding anything to the contrary set forth in this License Agreement:

- 11.2.1. Arbitration may not be invoked regarding matters expressed in this License Agreement to be agreed upon by or determined with the consent or approval of both Parties.
- 11.2.2. Arbitration may not be invoked if a Party violates the provisions of this License Agreement relating to NTI and/or NTI Asean Trade Secrets, or Corporate Opportunity. In such event, the remedies set forth in Articles 7, 8 and/or 10 hereof shall apply.

11.3. Conduct of Arbitration Proceedings.

Such arbitration proceedings shall be conducted in English and shall be carried on at the Arbitration Commission of the International Chamber of Commerce of Singapore, under the UNCITRAL Arbitration Rules. With respect to the interpretation of this License Agreement, the laws of the People's Republic of China shall apply. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction and assets may be attached in any country in the world pursuant to such judgment.

11.4. Designation of the "Prevailing Party".

In each case in which arbitration is invoked under this License Agreement, the Shareholders Joint Venture Agreement or any of the other Ancillary Agreements, the arbitration panel shall be required to designate one or the other Party as the Prevailing Party ("Prevailing Party").

11.5. Punitive Damages Excluded.

The Prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**ARTICLE 12**  
**GENERAL PROVISIONS**

12.1. Benefit of Parties.

All of the terms and provisions of this License Agreement, the Shareholders Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this License Agreement and all of its rights hereunder (or a portion of this License Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

12.2. Counterparts.

This License Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3. Cooperation.

During the term of this License Agreement, each Party shall cooperate with and assist each Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this License Agreement as well as those of the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and to carry out the true intent and purposes thereof.

12.4. Index, Captions, Definitions and Defined Terms.

The captions of the Articles of this License Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this License Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this License Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

12.5. Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this License Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Default hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

#### 12.6. Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this License Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this License Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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#### 12.7. Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this License Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL, UPS or equivalent as follows:

If to Tianjin Zerust, to:

Tianjin Zerust Anti-Corrosion Technologies Ltd.  
No. 127 Tower 1 Huoju Building Huayuan Industry Zone,  
Tianjin  
Attention: Mr. Meng Tao  
Telefax: 86 022 2367 0120

Copy to:

Mr. Zhang Binhua  
Tianjin China March Group Ltd.  
Huoju Building Huayuan Industry Zone, Tianjin  
Telefax: 86 022 2367 0120

If to NTI ASEAN, to:

NTI ASEAN LLC  
c/o Northern Technologies International Corporation  
Attention: President  
6680 North Highway 49  
Lino Lakes, MN 55014  
Telefax: 1-612-784-2902

Copy to:

Mr. Yoshiharu Rikuta  
Mr. Haruhiko Rikuta  
Taiyo Petroleum Gas Co., LTD.  
4-9 Nihonbashi-honcho 1-chome  
Chuo-ku Tokyo 103  
Japan  
Telefax: 81 33 242 0986

Copy to:

Northern Technologies International Corporation  
Attention: Chairman  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

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#### 12.8. Entire Agreement.

This License Agreement, together with the Shareholders Joint Venture Agreement and the other Ancillary Agreements, contain the entire understanding of the Parties as of the date of execution of each such agreement. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this License Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this License Agreement. It is the intent of the Parties to develop the relationship established hereunder, however, and to amend and supplement this License Agreement so as to provide for expansion both of Net Sales of Product and of the scope of the Corporation's Business with Other Agreed Upon Technologies. Any amendment or supplement to this License Agreement, the Shareholders Joint Venture Agreement and the other Ancillary Agreements must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include Corporate Resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

#### 12.9. Validity of Provisions.

Should any part of this License Agreement, the Shareholders Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this License Agreement, the Shareholders Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

12.10. Governmental Filings.

TIANJIN ZERUST shall be responsible for the preparation and filing of all necessary reports relating to this License Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI ASEAN shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

12.11. Payments.

Any payment to be made by TIANJIN ZERUST to NTI ASEAN pursuant to any provision of this License Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI ASEAN. NTI ASEAN shall have the right to specify in writing any bank account to which payments due shall be made.

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12.12. Derivative Enforcement by CMG.

CMG may, derivatively for and on behalf of TIANJIN ZERUST, enforce the terms hereof against NTI ASEAN in the event of a material Breach or Default of this Agreement by NTI ASEAN. In the event of derivative enforcement hereunder, the matter shall be adjudicated in accordance with the provisions of Article 11 hereof

12.13. Changes Subject to Approval of CMG.

The parties to this License Agreement shall not change, modify or amend this License Agreement in any respect without the prior written consent of CMG.

IN WITNESS WHEREOF, the parties have executed this License Agreement as of the day and year first above written.

**NTI ASEAN, LLC**

**TIANJIN ZERUST ANTI-CORROSION  
TECHNOLOGIES LTD.**

By /s/ \_\_\_\_\_

By /s/ \_\_\_\_\_

**APPROVAL OF CMG**

By its signature hereto CMG approves and agrees to the terms and provisions of this License Agreement and of the form of the NTI and/or NTI ASEAN Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that CMG shall also have a direct right of action in its own name for the enforcement of the provisions of this License Agreement.

**TIANJIN CHINA MARCH GROUP LTD.**

By /s/ \_\_\_\_\_

Date \_\_\_\_\_

1/9/99

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**TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**

**(1)**

**and**

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**

**(2)**

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**JOINT VENTURE AGREEMENT**

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**THIS JOINT VENTURE AGREEMENT** is made the 20<sup>th</sup> day of January, 1997

**BETWEEN:**

- (1) **TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED** (No 01999397), a company incorporated under the laws of England and Wales (“TP”), whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham DL16 6YJ; and
- (2) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, U.S.A. (“NTI”), the principal place of business of which is Lino Lakes, Minnesota, U.S.A.

**WHEREAS:**

TP and NTI desire to form a Joint Venture in the form of a private company limited by shares incorporated under the laws of England and Wales to engage in the Company’s Business (as hereinafter defined).

**IN CONSIDERATION** of the promises and the mutual agreements, representations, warranties, covenants and provisions herein contained, and intending to be legally bound hereby, the parties hereto **AGREE** as follows:

**ARTICLE 1**

**1. Definitions**

In this Agreement (unless there be something in the subject or context inconsistent therewith), the following expressions shall have the following meanings:

- “Ancillary Agreements”:  
means:  
(i) the Management and Sales Representation Agreement;  
(ii) the License Agreement; and  
(iii) the Technical Assistance and Marketing Support Agreement;  
and “Ancillary Agreement” shall be construed accordingly;
- “Articles of Association”:  
means the articles of association from time to time of the Company;

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- “At Cost”:  
means without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the prescription “At Cost”);
- “Breach”:  
means a breach of any of the provisions of this Agreement or of any of the Ancillary Agreements;
- “Change of Control”:  
means any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under this Agreement or any of the Ancillary Agreements
- “Company”:  
means Zerust (UK) Limited (No. 3248266), a dormant private company limited by shares incorporated under the laws of England and Wales and acquired by TP to conduct the Company’s Business;
- “connected”  
has the meaning ascribed to it in S.839 Income and Corporation Taxes Act 1988;
- “Company’s Business”:  
means the manufacturing, marketing and distribution of Product in the Territory;
- “Deed of Adherence”:  
means a deed substantially in the form set out in Annex 7;
- “Default”:  
has in relation to this Agreement the meaning ascribed to it in Article 17 and in

	relation to an Ancillary Agreement the meaning ascribed to it in such Ancillary Agreement;
“Distribution”	has the meaning ascribed to it in S.263(2) Companies Act 1985 which shall be read and construed as if the exception therein were excluded therefrom;
“Knowhow”:	means the technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper use and application of the Process, together with all improvements and modifications with respect thereto;

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“Licence Agreement”:	means an agreement to be entered into between NTI and the Company in the terms set out in Annex 3;
“Management and Sales Representation Agreement”:	means an agreement to be entered into between TP and the Company in the terms set out in Annex 2;
“Masterbatch”:	means any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilising the Process;
“Materials”:	means the constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process;
“Memorandum of Association”:	means the memorandum of association from time to time of the Company;
“Net Sales”:	means the total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm’s length basis to, by, with, or through an entity which is not affiliated to any Party to this Agreement, less the following items: <ul style="list-style-type: none"> <li>(i) sales discounts (including sales rebates);</li> <li>(ii) sales returns;</li> </ul>

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	(iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and
	(iv) sales commissions to third parties;
“NTI Affiliates”:	means all entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by this Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and “NTI Affiliate” shall be construed accordingly;
“NTI Intellectual Property Rights”:	means the Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI;
“NTI Trade Secrets”:	means all information deemed and designated confidential, in this Agreement and/or in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates both in the Territory and elsewhere;

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“Parties”:	means as the context requires the parties to this Agreement and/or the Ancillary Agreements, their successors and permitted assigns and “Party” shall be construed accordingly;
“Process”:	means the procedure utilizing Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product;
“Product”:	means corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilising the Trademark;
“Shareholder”:	means any holder, from time to time, of a Share or Shares;
“Share”:	means any validly issued and outstanding share in the capital of the Company;
“the Technical Assistance and Marketing Support Agreement”:	means the agreement to be entered into between NTI and the Company in the terms set out in Annex 4;
“Termination Consideration”	has the meaning ascribed to it in Article 16.8;
“Territory”:	means the United Kingdom;
“Trademark”:	means the names and styles “ZERUST”, “THE ZERUST PEOPLE” and the colour yellow in relation thereto (which in each case are the subject of Community Trade Mark applications) which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto;

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“Transfer”:	means in relation to any Share any sale, transfer, assignment, pledge or disposition in any way, whether in any voluntarily or involuntarily, by gift, legal procedure, operation of law, or any other means;
“Transferee”:	means any person who acquires or wishes to acquire a Share or Shares, and who if not already a Party hereto thereafter signs a Deed of Adherence; and
“Transferor”:	means a Shareholder who declares an intention or wish to transfer any Share or Shares and/or initiates a Transfer.

## ARTICLE 2

### 2. Mutual Representations

#### 2.1 Representations of NTI

NTI hereby represents and warrants to TP as follows:

- 2.1.1 Organisation and Standing. NTI is a corporation duly organised, validly existing and in good standing under the laws of the State of Delaware, U.S.A., and is in good standing under the laws of the State of Minnesota, where it has its principal place of business.
- 2.1.2 Due Authorisation. This Agreement and such of the Ancillary Agreements to be executed by it pursuant to this Agreement have been duly authorised by appropriate corporate action and the same are or will when executed become binding upon NTI in accordance with their respective terms.
- 2.1.3 No Violation of Other Agreements. By entering into this Agreement, NTI will not violate or cause a default to occur under any other agreements to which it is a party.
- 2.1.4 Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of NTI, threatened against NTI which would have a material effect upon NTI’s ability to perform under this Agreement and the Ancillary Agreements.

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#### 2.2 Representations of TP

TP hereby represents and warrants to NTI as follows:

- 2.2.1 Organisation and Standing. TP is a corporation duly incorporated as a private company limited by shares under the laws of England and Wales and is not in breach of any laws of any jurisdiction in which it carries on business.
- 2.2.2 Due Authorisation. This Agreement and such of the Ancillary Agreements to be executed by it pursuant to this Agreement

have been duly authorised by appropriate corporate action and the same are or will when executed become binding upon TP in accordance with their respective terms.

2.2.3 No Violation of Other Agreements. By entering into this Agreement, TP will not violate or cause a default to occur under any other agreements to which it is a party.

2.2.4 Absence of Litigation. There are no lawsuits or legal actions pending or, to the knowledge of TP, threatened against TP which would have a material effect upon TP's ability to perform under this Agreement and the Ancillary Agreements.

2.2.5 Status of the Company. The Company has not traded or incurred any liabilities.

2.3 Indemnity by TP

TP undertakes to indemnify and hold harmless the Company against any and all liabilities incurred by the Company or on its behalf prior to the Parties compliance with their obligations under Article 4 hereof.

### **ARTICLE 3**

#### **3. Purposes of the Joint Venture**

The purposes of the Company and the rights and obligations created by this Agreement and by the Ancillary Agreements are as follows:

- 3.1 To conduct the Company's Business for the benefit of the Company and the Parties;
- 3.2 To protect and preserve NTI Trade Secrets and NTI Intellectual Property Rights in the Territory under the terms of this Agreement and the Ancillary Agreements;
- 3.3 To manufacture, promote and sell Product in the Territory under the terms of this Agreement and of the Ancillary Agreements;

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- 3.4 To provide for the implementation of the Ancillary Agreements for the benefit of the Company and the respective Parties.

### **ARTICLE 4**

#### **4. Completion**

Completion shall take place on 20<sup>th</sup> January, 1997 when the events set out below shall take place.

4.1 TP shall procure that:

- 4.1.1 the Company shall change its objects so that they are in the form set out in Part 1 of Annex I;
- 4.1.2 the Company shall adopt articles of association in the form set out in Part 2 of Annex I;
- 4.1.3 the authorized share capital of the Company shall be increased to £100,000 divided into 50,000 "A" Ordinary Shares of £1 each and 50,000 "B" Ordinary Shares of £1 each;
- 4.1.4 the only directors shall be:
  - "A" Directors: Stephen Cyril Taylor  
Anthony John Wardle
  - "B" Directors: Philip M Lynch  
Vincent J Graziano
- and the only secretary shall be Anthony John Wardle;
- 4.1.5 the address of the Company's registered office shall be Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham DL16 6UJ.
- 4.1.6 the 2 Ordinary Shares of £1 each currently registered in the name of TP shall be paid up in cash at par and converted into "A" Ordinary Shares of £1 each;

4.2 TP shall subscribe unconditionally for 49,998 "A" Shares in cash at par, payment for which shall be made in cleared funds for the account of the Company;

4.3 NTI shall subscribe unconditionally for 50,000 "B" Shares in cash at par, payment for which shall be made in cleared funds for the account of the Company;

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4.4 the Parties shall procure that the Company allot and issue credited as fully paid:

49,998 "A" Shares to TP; and  
50,000 "B" Shares to NTI;

and that the names of TP and NTI are entered in the register of members of the Company as the respective holders of the Shares subscribed by them and that Share Certificates are issued to TP and NTI in respect of such Shares;

**ARTICLE 5**

**5. Chief Executive Officer**

One of the Directors designated by TP shall be the Chief Executive Officer of the Company, whose authority shall be subject to this Agreement, the Ancillary Agreements and the Memorandum of Association and the Articles of Association. Designation of the Chief Executive Officer by TP shall, however, be subject to the approval of NTI, which approval shall not be unreasonably withheld.

**ARTICLE 6**

**6. Responsibilities and Duties of the Parties**

6.1 Responsibilities of the Parties

It shall be the responsibility of all Parties to give effect to and perform the purposes of the Company and the rights and obligations created by this Agreement and the Ancillary Agreements as set out in Article 3 hereof.

6.2 Specific Responsibilities and Duties of Individual Parties

Specific responsibilities and duties of the Parties are set forth in the Ancillary Agreements.

6.3 Actions Requiring Consent of All Parties

In addition to other provisions of this Agreement and/or the Ancillary Agreements requiring the consent or approval of all of the Parties, the unanimous specific written consent of each Party hereto shall be required before the Company may take any of the following actions:

6.3.1 establish annual operating budgets for the Company (proposals in respect of which the Chief Executive Officer of the Company shall prepare and submit to the Board of Directors of the Company no later than June 30 of each year for the following accounting reference period);

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6.3.2 determine the amount of funds to be allocated to the purchase of Materials, Masterbatch or Product;

6.3.3 sell, assign, transfer, exchange or otherwise dispose of any assets of the Company, other than in the ordinary course of business;

6.3.4 mortgage, pledge, encumber or hypothecate any of the assets of the Company;

6.3.5 change the Company's auditors after the same have been appointed by the mutual consent of the Parties;

6.3.6 change or allow a change in the accounting procedures employed in maintaining the Company's books of account or in preparing financial statements with respect to the operations of the Company or the Company's Business;

6.3.7 obligate the Company as a surety, guarantor or accommodation party to any obligation, lend funds belonging to the Company to any third party, or extend credit to any person, firm or corporation, on behalf of the Company, other than in the ordinary course of business;

6.3.8 file material litigation against third parties on behalf of the Company outside the ordinary course of the Company's Business or submit to judgment on behalf of the Company;

6.3.9 amend the Memorandum of Association or the Articles of Association;

6.3.10 issue, allot, redeem, purchase or grant options over any part of its share capital or other securities or reorganise its share capital in any way;

6.3.11 borrow any money on terms requiring a mortgage or other form of security over the Company's assets in favour of the lender, except that a security interest over the Company's inventory and receivables authorised by the Chief Executive Officer of the Company in the ordinary course of business shall be permissible;

6.3.12 sell, transfer, lease, licence or in any other way dispose of any of its assets otherwise than in the ordinary course of its business or acquire any other corporation or legal entity;

6.3.13 dissolve or liquidate other than in accordance with the requirements of this Agreement;

6.3.14 engage in any business activity which is outside the scope of the Company's Business;

6.3.15 form any subsidiary corporation;

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6.3.16 enter into a transaction or business relationship with any of the Parties hereto, except as may be expressly provided for by this Agreement and/or the Ancillary Agreements, or on an arm's-length basis, and on prices and terms no more favourable to the Party than could have been obtained from an independent third party;

6.3.17 establish pricing, discount structures, and terms of trade for the Product in the Territory;

6.3.18 sell, licence or otherwise convey the Process, Knowhow or NTI Trade Secrets, or any right thereto deriving from this Agreement or the Ancillary Agreements to any third party;

- 6.3.19 engage or dismiss any management staff of the Company and/or fix compensation for any management staff, including bonus and perquisites;
  - 6.3.20 except in accordance with Article 8, pay any emoluments or make any other payments for the provision of services to any person employed by or connected with a shareholder or to any person connected with any such person;
  - 6.3.21 make any Distributions.
- 6.4 **Professional Advisers**
- 6.4.1 The Company's auditors shall be such firm of chartered accountants as may from time to time be nominated by the "A" Directors with the approval of the "B" Directors (such approval not to be unreasonably withheld);
  - 6.4.2 The Company's solicitors shall be such firm of solicitors as shall from time to time be nominated by the "B" Directors with the approval of the "A" Directors (such approval not to be unreasonably withheld).

## **ARTICLE 7**

### **7. Development of the Company's Staff**

#### **7.1 Development of the Company's Staff**

Depending on the development of business and within the judgment of the Board of Directors (and subject to Article 6.3), the Company may engage its own personnel, as appropriate, to assist the Chief Executive Officer in the performance of his duties and responsibilities, and to implement actions taken by the Parties in performance of their duties and responsibilities hereunder and as set forth in the Ancillary Agreements.

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#### **7.2 Human Relations Policies**

TP shall be responsible to ensure that human relations and related policies, including but not limited to matters of taxation, appropriate to the Territory are implemented and maintained by the Company with respect to all employees and providers of services in whatever form to the Company.

## **ARTICLE 8**

### **8. Payments to Related Parties for Services**

#### **8.1 Payments to Parties for Services Performed in the Ordinary Course of Business**

Payments shall be made to the Parties for services performed in the normal course of business from cash generated from Net Sales (after deducting the cost of Product, Materials, Masterbatch; and payments for supplies, services and other appropriate costs in accordance with this Agreement and the Ancillary Agreements). An aggregate amount equal to 30% of Net Sales shall be paid to TP and NTI as follows:

- 8.1.1 TP shall receive 15% of Net Sales as its total compensation for services to be rendered to the Company pursuant to the Management and Sales Representation Agreement;
- 8.1.2 NTI shall receive 7.5% of Net Sales as its total compensation pursuant to the Licence Agreement; and
- 8.1.3 NTI shall receive 7.5% of Net Sales as its total compensation for services to be rendered pursuant to the Technical Assistance and Marketing Support Agreement.

Except as otherwise provided in this Agreement and the Ancillary Agreements, all financial transactions between the Company and the other Parties shall be At Cost.

#### **8.2 Payments to Parties for Services Related to Special Programs for Promotion and Development**

After the payments and distributions referred to in Article 8.1 have been made to the Parties, the Parties may determine that additional special programs for promotion and development ("Special Programs") may be necessary, desirable or appropriate in any given fiscal year to accelerate the pace or redirect the progression and evolution of the Company. In such event, upon prior unanimous approval by the Parties, additional funds may be allocated by the Company for Special Programs to be conducted by the Parties, which shall comport joint responsibility in accordance with the percentage allocations set forth in Article 8.1 hereof.

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## **ARTICLE 9**

### **9. Coverage Of Shortfalls By The Parties**

Conversely, in the event that there shall be a shortfall in any given accounting reference period, then this shortfall shall be borne by TP and NTI in proportion to their respective fees for services to be performed pursuant to Article 8 hereof, to be reimbursed in the first instance out of the compensation set forth in Article 8.1 hereof for that period, and thereafter out of the equity of the Company until the same shall be exhausted; but neither Party shall have any obligation to cover shortfalls beyond that point. The Parties may, however, in the sole discretion of each, elect to provide financial support over and above their equity in the Company.

## **ARTICLE 10**

### **10. Financial Books And Records - Banking**

10.1 Accounting Reference Period

The first accounting reference period of the Company shall commence on the date the Company is incorporated and end on the next August 31 or (in the event that such period is six months or less) August 31 in the following year. Thereafter, the accounting reference period of the Company shall commence every year on September 1 and end on August 31 of the next year. The books of accounts shall be closed at the end of each accounting reference period, and audited statements shall be prepared by the Company's auditors in accordance with all relevant laws and generally accepted accounting principles showing a true and fair view of the financial condition of the Company and the results of its operations for the accounting reference period. Copies of the audited annual statements shall be provided to each of the Parties within 3 months of the end of the accounting reference period in respect of which they have been prepared. The Company shall prepare unaudited monthly and quarterly management accounts and reports in such format as the Parties may agree and shall provide copies thereof to the Parties within 4 weeks of the end of the period in respect of which they have been prepared.

10.2 Access to Books and Records

The Company's financial books, records and statements of account shall be kept at the principal place of business of the Company, and each Party shall have the right at all reasonable times to inspect and copy same.

10.3 Bank Accounts

All of the Company's funds shall be deposited in its name in such bank account or accounts as shall be designated from time to time by the Board of Directors. Withdrawals from such account or accounts shall be made by cheques or other appropriate instruments signed by such Directors or other persons as the Board of Directors shall from time to time duly designate.

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**ARTICLE 11**

**11. Insurance**

11.1 Independent Coverage

The Parties shall cause the Company to obtain and to maintain adequate property damage, product liability, public liability and other liability, casualty, and general insurance for the Company's Business. In the event that insurance is provided by means of an amendment or rider to existing insurance maintained by any of the Parties, then the cost thereof, to the extent that the basic insurance cost of such party is thereby increased, shall be borne by and paid for by the Company.

11.2 Inclusion of the Company as a Named Insured under the Insurance Coverage of a Party

To the extent possible, each Party shall include the Company as a named insured under its own insurance coverage. To effect such coverage:

11.2.1 NTI shall notify its product liability insurance carrier that the Company will be importing Materials and Masterbatch from NTI to manufacture and sell Product under the Trademark utilising NTI Trade Secrets and NTI Intellectual Property Rights in the Territory; and

11.2.2 TP shall notify its insurer of the scope of activities and responsibilities it shall carry out for the Company, both under this Agreement and under the Management and Sales Representation Agreement.

**ARTICLE 12**

**12. Protection Of NTI Trade Secrets**

12.1 Recognition of NTI Trade Secrets

TP acknowledges and agrees that NTI Intellectual Property Rights and other information deemed confidential by NTI and designated herein and hereafter relating to the business of NTI, of the Company, and of NTI Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost data and cost accounting, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins are also included within the definition of NTI Trade Secrets set forth in Article 1 hereof and constitute valuable property rights of NTI and NTI Affiliates.

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12.2 Protection of NTI Trade Secrets

TP agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI Trade Secrets which it now knows or may hereafter come to know as a result of this Agreement and Ancillary Agreements. NTI Trade Secrets shall not be disclosed by TP to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of TP or (ii) to the public domain by means other than the improper actions of TP or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI Trade Secret shall be in the public domain as the result of an act by TP or any Agent (as hereinafter defined) thereof, then TP shall nevertheless continue to keep such NTI Trade Secrets secret and inviolate.

12.3 Protection of NTI Trade Secrets by Agents of TP

Neither TP, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Company or elsewhere - or retain without NTI's prior written consent, the originals or copies of any NTI Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or the Company. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be

done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI Trade Secrets be strictly maintained both as to original documents and copies thereof. Insofar as the officers, employees, consultants and other agents of TP and/or the Company, (in this Article 12 collectively "Agents") who come in contact with NTI Trade Secrets are concerned, TP shall cause such Agents to enter into Trade Secrecy Agreements substantially in the form of Annex 5 to this Agreement. TP shall exert its best efforts to cause such Agents to adhere to and to abide by the provisions, restrictions and limitations of such Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

12.4 Remedies in the Event of a Violation of Article 12 hereof

It is understood and recognised by TP that in the event of any violation by TP of the provisions of Article 12 hereof, NTI's remedy at law will be inadequate and NTI will suffer irreparable injury. Accordingly, TP consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by NTI and in any court of competent jurisdiction to protect NTI Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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**ARTICLE 13**

**13. Protection of TP Trade Secrets**

13.1 Identification of TP Trade Secrets

The Parties acknowledge that it is not intended that TP impart its technology or trade secrets to the Company or, through the Company, to NTI and that accordingly no parallel document to the Licence Agreement is contemplated hereunder. The Parties recognise, however, that TP may impart information to the Company to further the Company's Business, which TP considers to be proprietary in nature and thus wishes to be kept confidential ("TP Trade Secrets"), and that such TP Trade Secrets may come to be imparted to NTI through the Company. In order for such information to be considered under the category of TP Trade Secrets, TP must alert the Company and NTI to the fact that it intends to impart to the Company information it considers proprietary, in writing, in advance of imparting such information, and clearly identifying such information as a TP Trade Secret.

13.2 Protection of TP Trade Secrets

NTI agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all TP Trade Secrets which it now knows or may hereafter come to know as a result of this Agreement and the Ancillary Agreements. TP Trade Secrets shall not be disclosed by NTI to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of NTI or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a TP Trade Secret shall be in the public domain as the result of an act by NTI or any Agent (as hereinafter defined) thereof, then NTI shall nevertheless continue to keep such TP Trade Secrets secret and inviolate.

13.3 Protection of TP Trade Secrets by Agents of NTI

Neither NTI, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Company or elsewhere; or retain without TP's prior written consent, the originals or copies of any TP Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as TP Trade Secrets be strictly maintained both as to original documents and copies thereof. Insofar as the officers, employees, consultants and other agents of NTI (in this Article 13 collectively "Agents") who come in contact with Trade Secrets are concerned, NTI shall cause such Agents to enter into Trade Secrecy Agreements substantially in the form of Annex 6 to this Agreement. NTI shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of such Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

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13.4 Remedies in the Event of a Violation of Article 13 hereof

It is understood and recognised by NTI that in the event of any violation by NTI of the provisions of Article 13 hereof, TP's remedy at law will be inadequate and TP will suffer irreparable injury. Accordingly, NTI consents to injunctive and other appropriate equitable relief upon the institution of legal proceedings therefor by TP and in any court of competent jurisdiction to protect TP Trade Secrets. Such relief shall be in addition to any other relief to which TP may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

**ARTICLE 14**

**14. Corporate Opportunity**

14.1 Doctrine of Corporate Opportunity and Observance thereof

It is the intent of the Parties to this Agreement and to the Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under this Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

14.2 Agreement Not to Divert Resources

TP and NTI agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales from the Company except through the Company in furtherance of the Company's Business. During said term neither of such Parties shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a Breach by a Party; or (ii) upon the liquidation, administrative receivership, administration or other adverse condition of a Party as described in Article 16 hereof; or (iii) pursuant to Article 17 hereof by reason of a Default by a Party, then the Party in such Breach or Default or subject to such adverse condition shall continue to be bound by the provisions of this Article 14 for a period of two years following the date of termination, but shall at no time be permitted to use NTI Trade Secrets or TP Trade Secrets, as the case may be, for any activity outside the Company.

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14.3 Remedies for Breach of Agreement Not to Divert Resources

It is understood and recognised by the Parties that in the event of a violation of the provisions of Article 14 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to this Agreement and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a nonviolating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

**ARTICLE 15**

**15. Grant of Right and License by TP to NTI**

15.1 Disclosure of Improvements to NTI by TP

TP agrees promptly to disclose to NTI any improvements or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by TP or which are made by or through its efforts, without any obligation by NTI to make payment therefor.

15.2 Grant of Right and Licence

TP hereby agrees to grant to the Company an exclusive, non-transferable, worldwide and fully paid-up right and licence under any intellectual property rights, trade secrets and knowhow owned, controlled, acquired or which may otherwise be transferred or granted by TP during the term of this Agreement to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements to NTI Intellectual Property Rights together with the Process, Knowhow, Materials, Masterbatch and/or Product and to sublicense third parties to do the same.

15.3 Obligations of TP Concerning the Filing of New Patents

TP agrees that at NTI's request and at NTI's cost it will promptly file and diligently prosecute applications for letters patents in the Company's name on any and all patentable improvements to NTI Intellectual Property Rights coming into its purview in the Territory. TP further agrees, upon NTI's request and at NTI's cost, promptly to file and diligently to prosecute corresponding patent applications in the Company's name in such other countries outside the Territory as are designated by NTI.

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15.4 Review of Potentially Infringing Technology.

In the event that TP shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then TP will forthwith provide NTI with whatever information it may have with respect thereto. NTI and TP will then consult with one another as to:

- 15.4.1 taking appropriate legal action against such third party for infringement of NTI's Trade Secrets or other NTI Intellectual Property Rights; and/or
- 15.4.2 the advisability of purchasing, licensing or otherwise acquiring such technology, processes or patents of such third parties, in which event such rights as are acquired shall be extended to the Company pursuant to Article 15.2 hereof. Based upon their joint decision, TP shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

**ARTICLE 16**

**16. Term of Agreement**

16.1 Term

Subject to Article 4, this Agreement shall come into effect on the signing hereof and shall continue in effect indefinitely unless:

- 16.1.1 terminated by either Party by reason of a breach of Articles 12, 13 and/or 14 hereof; or
- 16.1.2 terminated by either Party by reason of a Default by the other Party which has not been cured or remedied in accordance with Article 17 hereof;
- 16.1.3 terminated in accordance with Article 16.2 or 16.3; or

16.1.4 any of the Ancillary Agreements shall be terminated by a Party thereto by reason of a material Breach (as therein defined) or Default (as therein defined) of any such Ancillary Agreement by another Party thereto which Breach or Default has not been cured or remedied in accordance with the curative provisions thereof. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

16.2 Termination Upon Change of Control

In the event that a Change of Control of a Party hereto shall occur, then the other Party or Parties hereto may, upon six (6) months prior written notice given to such Party or Parties, terminate this Agreement and the Ancillary Agreements, unless such Change of Control shall have been effected upon prior notification and with the written understanding of the other Party or Parties hereto.

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16.3 Termination Upon Bankruptcy or Insolvency.

If:

- 16.3.1 a petition is presented or an order made or a resolution passed or analogous proceedings are taken for appointing an administrator of or winding-up a Party hereto or if a notice is issued convening a meeting for the purpose of passing any such resolution (save for the purpose of and followed within four months by an amalgamation or reconstruction not involving or arising out of insolvency on terms previously approved by the other Party) or to comply with S.142 Companies Act 1985;
- 16.3.2 an encumbrancer takes possession or exercises or attempts to exercise any power of sale or a receiver is appointed of the whole or any part of the undertaking, property, assets or revenues of a Party;
- 16.3.3 any final judgment or order made against a Party is not complied with within seven days or if an execution, distress, sequestration or other process is levied or enforced upon or issued out against any part of the undertaking, property, assets or revenues of a Party;
- 16.3.4 a Party stops payment or agrees to declare a moratorium or becomes or is deemed to be insolvent or unable to pay its debts within the meaning of S.123 Insolvency Act 1986 or when they fall due or if a notice is issued convening a meeting of a Party or a Party proposes or enters into any composition or arrangement with its creditors generally or any class of its creditors; or
- 16.3.5 in any country in which a Party carries on business or has assets any event occurs which corresponds with or has an effect similar to any of the foregoing events or if a Party becomes subject to proceedings or an order, appointment or filing under the insolvency laws of such country;

the other Party hereto may forthwith terminate this Agreement by written notice given to the Party to whom Article 16.3.1 to Article 16.3.5 applies provided that if for any reason such as (but not by way of limitation) operation of law or the order of any court of competent jurisdiction such termination or any consequential termination of any Ancillary Agreement shall not be effective the party giving the notice shall only be obliged to continue to perform this Agreement or any Ancillary Agreement if:

- (a) payments due to it thereunder for past services are rendered in full;
- (b) payment due to it thereunder for present services are rendered pursuant to a payment schedule acceptable to the party giving the notice; and

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- (c) all other provisions thereof are complied with fully.

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16.4 Payment of Amounts Due

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement and the Ancillary Agreements prior to the effective date of termination.

16.5 Co-operation upon Termination

Upon termination, TP shall co-operate with NTI in transferring NTI Intellectual Property Rights, NTI Trade Secrets, the Trademark, Masterbatch and Product to NTI or its designated assignee; and NTI shall co-operate with TP in transferring TP Trade Secrets to TP or its designated assignee.

16.6 Non-Release of Obligations

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Articles 12 and 13, upon termination of this Agreement, NTI Trade Secrets and TP Trade Secrets shall continue to be kept secret and confidential.

16.7 Cessation of Rights Upon Termination

Upon the termination of this Agreement, for reason of Default of this Agreement or of an Ancillary Agreement rights which the Party in Default may have under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default exists is submitted to Arbitration under Article 18 hereof, the Parties shall jointly appoint a trustee to oversee the

execution of duties hereunder and protection of rights hereunder of the Party allegedly in Default. If the Parties cannot agree on a trustee for such purposes, the Arbitration Panel shall forthwith appoint same.

16.8 Compulsory Transfer of Shares upon Termination

Upon the termination of this Agreement in anyone or more of the circumstances set out in Articles 16.1.1, 16.1.2 and 16.1.4 the Party (being a Shareholder) which committed the Breach or Default referred to in Articles 16.1.1, 16.1.2 or 16.1.4 shall be bound forthwith upon receipt of notice served by the other Party or Parties hereto (being a Shareholder or Shareholders) and agreement or certification of the Termination Consideration in accordance with this Article 16.8 to transfer full legal and beneficial ownership in its Shares to such other Party or Parties (and if more than one in proportion to the number of Shares held by them respectively) free and clear of any and all liens, encumbrances, equities or restrictions of any nature whatsoever for and upon payment of the Termination Consideration and in the event of any failure by such Party to make a Transfer or Transfers in accordance with the provisions of this Article 16.8 the other Party or Parties are hereby authorised jointly and severally to execute such a Transfer or Transfers as attorney for the holder thereof and to do all such other acts and things as are necessary or desirable to give effect to the provisions hereof. The Termination Consideration shall be as agreed between the selling Party and the buying Party or Parties or in the event of a failure to agree, one-half of such amount as the Company's Auditors shall upon the application of either the selling Party or the buying Party or Parties (or any of them) certify to be the value of such Shares, the valuation being made by reference only to a due proportion of the net asset value of the Company as at the date of termination determined in accordance with Internationally Accepted Accounting Standards and without taking account of whether the Shares being sold comprise a majority or minority interest or of the fact that transferability is restricted by the Company's Articles of Association or of any other considerations or circumstances. In issuing their certificate the Auditors shall act as experts and not as arbitrators and their decision shall be final and binding upon the Parties and their costs shall be borne by the Company.

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ARTICLE 17

17. Default

17.1 Default

A Default shall exist in the event of:

- 17.1.1 non-payment of funds by one Party to another Party when due and owing; and/or
- 17.1.2 a material breach of any provision of this Agreement (other than Articles 12, 13, 14 and/or 23.1) or of any of the Ancillary Agreements;
- 17.1.3 a breach of Articles 12, 13, 14 and/or 23.1 hereof.

17.2 Remedies upon Default

The remedies available to each Party in an instance of Default by another Party shall be as follows:

- 17.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or such Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party) provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

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- 17.2.2 Notwithstanding the foregoing, in the event of any violation of Articles 12, 13, 14 or 23.1 hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

17.3 Non-Waiver of Rights

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 17.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 17.2 hereof), or on account of any subsequent Breach or Default by a Party.

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ARTICLE 18

18. Arbitration

18.1 Arbitration Mandatory

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties amicably to resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

- 18.1.1 a dispute as to whether a Default exists;
- 18.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- 18.1.3 a dispute as to the validity of this Article 18;
- 18.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;

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- 18.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

- (a) based upon a Party's violation of the provisions of this Agreement relating to NTI Trade Secrets, TP Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 12, 13 and 14 hereof
- (b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

## 18.2 Punitive Damages Excluded

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

## ARTICLE 19

### 19. Proscription of Authority of the Parties to Bind Each Other

Nothing contained in this Agreement shall be construed to constitute the Parties as partners with or agents for one another or to render any Party liable for any debts, liabilities or obligations of the other ("Indebtedness"). It is understood that such Indebtedness, if incurred, is outside the scope of this Agreement and the Ancillary Agreements. No Party shall have the authority to extend or to utilise the credit of the other, to extend credit in the other Party's name, or to represent that it is authorised to do so without the express written consent of the other. In the event that a creditor of a Party shall assert a claim against that Party based on such indebtedness, then the Party who in fact is obligated thereon shall indemnify and hold the other Party harmless from and against any losses, claims or liabilities by reason thereof.

## ARTICLE 20

### 20. Reciprocal Indemnification

Each Party shall indemnify and hold the other and the Company harmless from and against any and all claims, demands, actions, rights of action, damages, costs and expenses which shall or may arise by virtue of anything done or omitted to be done by the indemnifying Party (through or by its agents, employees or other representatives) in breach of the terms of this Agreement. The indemnifying Party shall be notified promptly of the existence of the claims, demands, actions or rights of action and shall be given reasonable opportunity to defend same in which defence the Party to be indemnified shall co-operate. If the indemnifying Party fails forthwith upon notice to assume such defence, then the Party to be indemnified may proceed with the defence thereof including settlement, in which case the indemnifying Party shall bear the costs of defence including attorneys' fees and shall pay the amount of any judgment or settlement.

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## ARTICLE 21

### 21. Transfer of Shares

#### 21.1 Restrictions on Transfer of Shares

Following the issue of Shares in the Company pursuant to Article 4 hereof, no Shareholder shall Transfer any Share or any right, title or interest herein owned or held by it except and only in strict accordance with the terms and subject to the restrictions, rights, obligations and options hereinafter set forth. The Company, TP and NTI shall be under no obligation to recognise as holder of a Share any person to whom any such Share was transferred other than in strict compliance with the terms and provisions of this Agreement and, unless so complied with, any such person shall have no rights as a Shareholder.

#### 21.2 Right of First Refusal to Acquire Shares

Any Shareholder receiving a bona fide offer from a proposed Transferee ("Offer") for the purchase of any of its Shares, and who wishes to make a Transfer of such Shares to such proposed Transferee in accordance with such Offer shall, prior to making any Transfer, give written notice (hereinafter called a "Transfer Notice") thereof to the Company and to the other Shareholders. Such Notice shall enclose a copy of the Offer and shall set forth the name and address of the proposed Transferee, the selling price, the terms of payment, and all other significant terms and conditions relating thereto. The Transferor shall furnish to the Company and to the other Shareholders such additional information concerning the proposed Transfer and/or the proposed Transferee as any of them may reasonably request. In order that the other Shareholders shall be better able to determine the compatibility of the proposed Transferee as a Shareholder, the Transferor shall arrange for the other Shareholders, if so requested, to be introduced to shall arrange for the other Shareholders, if so requested, to be introduced to the

proposed Transferee and to have discussions with same. For a period of forty-five (45) days following the receipt of said Transfer Notice, the other Shareholders shall have the option to purchase any or all of the Shares specified in the Transfer Notice at the terms set forth therein and, if there is more than one other Shareholder, the number of Shares to which each other Shareholder's option relates shall be in proportion to the numbers of Shares held by them respectively.

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21.3 Exercise of Right to Acquire Shares

The foregoing option shall be exercisable by written notice ("Exercise Notice") to the Transferor within the forty-five (45) day period aforesaid and the exercise of said option shall be effective upon receipt of the Exercise Notice by said Transferor. If any of the other Shareholders does not exercise its option, the Shares to which that option relates shall be offered to such of the other Shareholders as have exercised their option in proportion to the aggregate of the number of Shares held by them respectively and the number of Shares in respect of which they have already exercised their rights under this Article 21 and such procedure shall be repeated until in accordance therewith the other Shareholders have given notice in respect of as many of the Shares comprised in the Transfer Notice as they wish to acquire. If the other Shareholders' rights hereunder are exercised in respect of all the Shares specified in the Transfer Notice, the purchase and sale shall be closed at the offices of the Company or at such other place as agreed within ten (10) days after the expiration of the last period for exercise thereof on the terms and conditions set forth in the Transfer Notice. At the time of sale, the Transferor shall represent and warrant to each of the other Shareholders to whom the Shares are being sold that such other Shareholder shall be the sole owner of the Shares purchased by it free and clear of any and all liens, encumbrances, equities or restrictions of any nature whatsoever, except that any future Shareholder shall also become subject to the provisions of this Agreement.

21.4 Sale of Shares to a Third Party

If the other Shareholders do not serve Exercise Notices in respect of all of the Shares specified in the Transfer Notice within the time period herein above provided, the Transferor may then for a period of sixty (60) days following the expiration of such time period make a Transfer to the proposed Transferee of all the Shares specified in the Transfer Notice in accordance with the terms and conditions therein set forth and upon terms that the Transferee shall be the sole owner of such Shares free and clear of any and all liens, encumbrances, equities or restrictions of any nature whatsoever; provided that the Transferee shall have joined in this Agreement by executing a Deed of Adherence. The Parties shall procure that if a Transfer of Shares is made in accordance with the provisions of this Article 21.4 the Transfer shall be approved in accordance with the Articles of Association.

21.5 Shares Transferred to a Third Party Subject to Restrictions

Whether or not a Transfer of Shares is made to a Transferee within the sixty (60) day period referred to in Article 21.4 hereof such Shares shall again be subject to all of the terms, conditions and restrictions of this Agreement. Unless the other Shareholder or Shareholders shall so agree in writing, a Transferor may not make a Transfer of Shares to a Transferee if the terms and conditions under which the Transferor intends to consummate the Transfer of Shares differ in any material way from the terms and conditions set forth in the Transfer Notice.

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21.6 Attempted Transfer of Shares in Violation of this Agreement

In the event of any Transfer of any Share or Shares in violation of the terms of this Agreement, the Company shall not approve or register the Transfer and until such time as the Transfer has been rescinded, the Shareholder or Shareholders (other than the Transferor) shall be entitled for their own joint benefit to receive any dividends or distributions in respect of the Share or Shares to which the Transfer relates and as attorney or attorneys for the Transferor jointly (if more than one) to exercise all rights of any kind attaching to such Share or Shares. This Article 21.6 shall not be construed as limiting any remedy which any Shareholder may have under law upon any Transfer of any Share or Shares subject to this Agreement which is made or is attempted to be made in violation of this Agreement.

21.7 Permitted Transfers of Shares

Notwithstanding anything to the contrary contained in this Agreement, any Shareholder shall have the right, without regard to or compliance with any of the provisions of Article 21 hereof, to make a Transfer of any Share or Shares owned by it to any corporation or entity which controls, is controlled by, or is under common control with such Shareholder without first obtaining the consent to such Transfer by the other Shareholders provided that the Transferee shall have executed a Deed of Adherence. Where any Share or Shares have been transferred in circumstances permitted by this Article 21.7 (whether directly or by a series of transfers so permitted) from a body corporate ("the First Group Transferor" which expression does not include a second or subsequent Transferor in such a series of Transfers) and the Transferee ("the Group Transferee") ceases to be controlled by or to control or to be under common control with the First Group Transferor then the Group Transferee shall forthwith transfer the said Share or Shares to the First Group Transferor and failure to transfer such Share or Shares within 28 days of such cessation shall entitle the other Shareholder or Shareholders to the rights set out in Article 21.6.

21.8 Pledge of Shares Subject to this Agreement

For the avoidance of doubt, and without prejudice to the generality of the definition of "Transfer" in Article 1, any pledge of Shares by a Shareholder for any of its obligations shall be subject to the provisions of this Agreement.

21.9 Deed of Adherence

No Transfer of a Share or Shares may be made to a person who is not a Party to this Agreement until that Party has executed and delivered a Deed of Adherence to the other Party or Parties hereto.

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21.10 Law Applicable to Transferees

**ARTICLE 22**

**22. Articles of Association**

- 22.1 If during the continuance of this Agreement there shall be any conflict between the provisions of this Agreement and the provisions of the Articles of Association, the provisions of this Agreement shall prevail.
- 22.2 Each of the Parties, undertakes with each of the others fully and promptly to observe and comply with the provisions of the Articles of Association to the intent and effect that each and every provision thereof shall be enforceable by the Parties inter se.
- 22.3 Nothing in this Agreement shall be deemed to be an amendment of the Articles of Association or of any previous articles of association of the Company.

**ARTICLE 23**

**23. General Provisions**

23.1 Benefit of Parties

All of the terms and provisions of this Agreement and of the Ancillary Agreements shall be binding upon the Parties executing the same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor. If an assignment has been made in circumstances permitted by this Article 23.1 (whether directly or by a series of assignments so permitted) from a body corporate ("the first Group Assignor" which expression does not include a second or subsequent assignor in such a series of assignments) and the assignee ("the Group Transferee") ceases to be controlled by or to control or to be under common control with the First Group Assignor then the Group Assignee shall forthwith assign this Agreement and all of its rights hereunder relating thereto (or such portion thereof as shall have been assigned to it) to the First Group Assignor and failure to make such assignment within 28 days of such cessation shall constitute a Default.

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23.2 Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

23.3 Co-operation

During the term of this Agreement, each Party shall co-operate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of this Agreement and the Ancillary Agreements and to carry out the true intent and purpose thereof.

23.4 Index and Captions

The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof.

23.5 Waiver of Compliance

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any breach of any of the provisions of this Agreement or of the Ancillary Agreements and any Default; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, breaches or Defaults.

23.6 Force Majeure

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If such an event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the event continues to be in effect on the date that such notice is given.

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23.7 Notices

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by "hard copy", (ii) personally, (iii) by

registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

If to NTI, to: Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to: Philip M. Lynch  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

If to TP to: Taylor Packaging (Bishop Auckland) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
County Durham DL16 6YJ  
Attention: Company Secretary  
Tel: 01388 420 555  
Fax: 01388 420 777

or to such other address as may be specified in writing by any of the above.

23.8 Entire Agreement

This Agreement, together with the Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the Parties hereto. Each of the Parties unconditionally waive any rights it may have to claim damages against the other or others of them on the basis of any statement made by the other or others of them (whether made carelessly or not) not set out in this Agreement or in any of the Ancillary Agreements (or for any breach of any warranty given by any of them not so set out) unless such statement or warranty was made or given fraudulently and without prejudice to the generality of the foregoing each of the Parties unconditionally waives any right it may have to rescind this Agreement or any of the Ancillary Agreements on the basis of any statement made by the other or others of them (whether made carelessly or not) whether or not such statement is set out or referred to in this Agreement or any of the Ancillary Agreements unless such statement was made fraudulently.

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23.9 Validity of Provisions

Should any part of this Agreement or the Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement or any Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

23.10 Governmental Filings

TP shall be responsible for the preparation and filing of all necessary documents relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever material and information required of and available to it in connection with the preparation and filing of such documents.

23.11 RTPA

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

23.12 Payments

Any payment to be made to NTI or TP pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by TP or NTI, as the case may be, TP and NTI shall have the right to specify in writing any bank account to which payments due them (respectively) shall be made.

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23.13 Enforcement of Company's Rights

If it appears that any of the Parties or any person connected with any of the Parties (in whatever capacity) is in breach of any obligation which it owes to the Company (whether under this Agreement or any of the Ancillary Agreements or otherwise), or has misapplied or retained or becomes liable or accountable for any money or property of the Company, or has been guilty of any misfeasance or breach of any fiduciary duty in relation to the Company, or is under any obligation to indemnify the Company against any liability, it is agreed that the prosecution of any right of action of the Company in respect thereof shall be passed to the Directors of the Company nominated by the other Parties who shall have full authority on behalf of the Company to negotiate and settle any claim arising thereout and the first mentioned Party shall take all steps within its power to give effect to the provisions of this Article 24.13.

23.14 Further Assurance

The Parties shall and shall use their respective reasonable endeavours to procure that any necessary third parties shall do, execute and perform all such further deeds, documents, assurances, acts and things as any of the Parties may reasonably require by notice in writing to the others to carry out the provisions of this Agreement, the Ancillary Agreements, the Memorandum of Association and the Articles of Association with full force and effect.

23.15 Publicity

Any publicity with respect to this Agreement prior to the formation of the Company shall be under the joint control of both parties. After the formation of the Company, publicity shall be under the control of the Company as determined by its Board.

23.16 Shareholders Undertakings

Each of the Shareholders undertakes with each of the other Parties that it will use its powers in relation to the Company so as to ensure that the Company ratifies and approves this Agreement and the Ancillary Agreements and fully and promptly observes, performs and complies with the terms hereof as if it were a Party hereto.

23.17 Exercise of Powers

Where any Shareholder is required under this Agreement to exercise its powers in relation to the Company to procure a particular matter or thing, such obligation shall be deemed to include an obligation to exercise its powers both as a Shareholder and as a Director (where applicable) of the Company and to procure that any Director appointed by it shall procure such matter or thing.

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23.18 Brokers

The Parties acknowledge that all negotiations relative to this Agreement and the Ancillary Agreements and the transactions contemplated hereunder have been carried on by them directly, without intervention of any other person retained by either of them so as to give rise to any valid claim against any of the Parties hereto or the Company for a brokerage commission, finder's fee or any similar payment.

23.19 Applicable Law

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

IN WITNESS WHEREOF, the Parties have executed this Agreement as a Deed the day and year first above written.

EXECUTED by )  
TAYLOR PACKAGING (BISHOP )  
AUCKLAND) LIMITED )  
acting by: )

/s/

\_\_\_\_\_  
Director

/s/

\_\_\_\_\_  
Director/Secretary

EXECUTED by )  
NORTHERN TECHNOLOGIES )  
INTERNATIONAL CORPORATION )  
acting by: )

/s/ Philip M. Lynch

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director/Secretary

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- (1) The objects for which the Company is established are to manufacture market and distribute polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers and to carry on any other business which by unanimous agreement of the members it is desirable for the Company to carry on in connection with or as ancillary to such objects.
- (2) In furtherance of such objects, but not otherwise the Company shall have the following powers:
- (A) To purchase, take on lease or on hire or otherwise acquire, hold, develop, sell, hire out, grant leases or licences or otherwise dispose of or deal with real and personal property of all and any kinds and any interest, right or privilege therein, for such consideration and on such terms as may be considered expedient.
  - (B) To purchase, subscribe for or otherwise acquire, and hold and deal with, any shares, stocks, debentures, bonds or securities of any other company.
  - (C) To sell or otherwise dispose of the whole or any part of the business and/or undertaking of the Company, either together or in portions for such consideration and on such terms as may be considered expedient.
  - (D) To purchase or otherwise acquire and undertake, and to supervise and manage, all or any part of the business, property, assets and liabilities of any person or company.
  - (E) To invest and deal with the monies of the Company not immediately required for the purpose of its business in or on such investments or securities and in such manner as may be considered expedient, and to dispose of or vary any such investments or securities.
  - (F) To enter into any partnership or into any arrangement for sharing profits or to amalgamate with any person or company carrying on or proposing to carry on any business.
  - (G) To lend or advance money or give credit to such persons or companies and on such terms as may be considered expedient, and to receive money on deposit or loan from any person or company.
  - (H) To borrow or raise money on such terms and on such security as may be considered expedient and, in particular, but without limiting the generality of the foregoing, by the issue or deposit of debentures, and to secure the repayment of any money borrowed, raised or owing by mortgage, charge or lien upon the whole or any part of the undertaking, property and assets of the Company both present and future, including its uncalled capital.

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- (I) To give indemnity for, or to guarantee, support or secure the performance of all or any of the obligations of any person or company whether by personal covenant or by mortgage, charge or lien on the whole or any part of the undertaking, property and assets of the Company both present and future, including its uncalled capital, or by all or any of such methods; and in particular, but without limiting the generality of the foregoing, to give indemnity for, or to guarantee, support or secure whether by personal covenant or by any such mortgage, charge, or lien, or by all or any of such methods, the performance of all or any of the obligations (including the repayment or payment of the principal and premium of, and interest on, any securities) of any company which is for the time being the Company's holding company or subsidiary or another subsidiary of any such holding company.
- (J) To pay for any property, assets or rights acquired by the Company, and to discharge or satisfy any debt, obligation or liability of the Company, either in cash or in shares with or without preferred or deferred rights in respect of dividend or repayment of capital or otherwise, or by any other securities which the Company has power to issue, or partly in one way and partly in another, and generally on such terms as may be considered expedient.
- (K) To accept payment for any property, assets or rights disposed of or dealt with or for any services rendered by the Company, or in discharge or satisfaction of any debt, obligation or liability to the Company, either in cash or in shares, with or without deferred or preferred rights in respect of dividend or repayment of capital or otherwise, or in any other securities, or partly in one way and partly in another, and generally on such terms as may be considered expedient.
- (L) To form, promote, finance or assist any other company, whether for the purpose of acquiring all or any of the undertaking, property and assets of the Company or for any other purpose which may be considered expedient.
- (M) To issue, place, underwrite or guarantee the subscription of, or concur or assist in the issuing or placing, underwriting or guaranteeing the subscription of shares, stocks, debentures, bonds and other securities of any company on such terms as to remuneration and otherwise as may be considered expedient.
- (N) To apply for, purchase or otherwise acquire and hold, use, develop, sell, licence or otherwise dispose of or deal with patents, copyrights, designs, trade marks, secret processes, know-how and inventions and any interest therein.
- (O) To draw, make, accept, endorse, negotiate, discount, execute, and issue promissory notes, bills of exchange, scrip warrants and other transferable or negotiable instruments.

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- (P) To the extent permitted by law, to give financial assistance for the purpose of the acquisition of shares of the Company or for the purpose of reducing or discharging a liability incurred for the purpose of such an acquisition and to give such assistance by means of a gift, loan, guarantee, indemnity, the provision of security or otherwise.
- (Q) To enter into any arrangement with any Government or other authority, supreme, municipal, local or otherwise, and to obtain from any such Government or authority any rights, concessions, privileges, licences and permits, and to promote any legislation, as may be considered expedient.
- (R) To distribute among the members in specie any property of the Company, or any proceeds of sale or disposal of any property of the Company, and for such purpose to distinguish and separate capital from profits, but so that no distribution amounting to a reduction of

capital shall be made except with the sanction (if any) for the time being required by law.

- (S) To remunerate any person or company rendering service to the Company in any manner and to pay all costs, charges and expenses incurred or sustained in or about the promotion and establishment of the Company and of any other company formed, promoted, financed or assisted by the Company, or which the Company shall consider to be in the nature of preliminary expenses in relation to the Company or any such other company, including the cost of advertising, commissions for underwriting, brokerage, printing and stationery, and the legal and other expenses of the promoters.
- (T) To do all or any of the above things in any part of the world, either alone or in conjunction with others, and either as principals, agents, contractors, trustees or otherwise and either by or through agents, contractors, trustees or otherwise.

It is hereby declared (1) that the expressions "subsidiary" and "holding company" where they appear in this clause shall have the meanings ascribed to those expressions by Section 736 of the Companies Act 1985; and (2) that, where the context so admits, the word "company" in this clause shall be deemed to include any partnership or other body of persons whether or not incorporated and, if incorporated, whether or not a company within the meaning of the Companies Act 1985.

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**PART 2**

**ARTICLES OF ASSOCIATION**

Company No: 3248266

**THE COMPANIES ACT 1985 AND 1989**

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**COMPANY LIMITED BY SHARES**

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**ARTICLES OF ASSOCIATION**

**of**

**ZERUST (UK) LIMITED**

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**TABLE A**

1. Subject as otherwise provided in these Articles, the regulations in Table A prescribed under Section 8 of the Companies Act 1985, as in force at the date of incorporation of the Company (in these Articles referred to as "Table A"), shall apply to the Company.
2. The following provisions of Table A shall not apply to the Company:
  - (i) in regulation 24: the words "which is not fully paid";
  - (ii) regulation 40;
  - (iii) regulation 41;
  - (iv) regulation 50;
  - (v) regulation 54;
  - (vi) in regulation 62(a): the words "not less than 48 hours";
  - (vii) in regulation 62(b): the words "not less than 24 hours;"
  - (viii) in regulation 66: the last sentence;

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- (ix) regulations 73 to 80 inclusive and all references elsewhere in Table A to retirement by rotation shall not apply accordingly;
  - (x) in regulation 88: the third and fifth sentences;
  - (xi) in regulation 89: the first sentence;
  - (xii) regulations 94 to 98 inclusive.

**INTERPRETATION**

3. In these Articles, where the context so admits:

"A" Director

means any person appointed as a director in accordance with the provisions of Article 9(1);

“B” Director	means any person appointed as a director in accordance with the provisions of Article 9(2);
“A” Shares	means the issued “A” ordinary shares of £1 each in the capital of the Company;
“B” Shares”	means the issued “B” ordinary shares of £1 each in the capital of the Company;
“the “A” Shareholders(s)”	means the registered holder(s) for the time being of the “A” Shares;
“the “B” Shareholder(s)”	means the registered holder(s) for the time being of the “B” Shares;
“Controlling “A” Shareholder(s)”	means the registered holder(s) for the time being of a majority of the “A” Shares;
“Controlling “B” Shareholder(s)”	means the registered holder(s) for the time being of a majority of the “B” Shares;
“holding company” and “subsidiary”	shall be construed in accordance with Section 736 of the Companies Act 1985;

#### **SHARE CAPITAL**

4. The share capital of the Company is £100,000 divided into 50,000 “A” Shares and 50,000 “B” Shares. Such shares shall entitle the holders thereof to the respective rights and privileges and subject them to the respective restrictions and provisions contained in these Articles, but save as otherwise provided in these Articles the “A” Shares and the “B” Shares shall rank *pari passu* in all respects.

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#### **TRANSFER OF SHARES**

5. All transfers of shares shall be effected by instrument in writing in any form for the time being authorised by the Stock Transfer Act 1963 (or any statutory modification or re-enactment thereof for the time being in force) or any other form which the directors may approve.

#### **PROCEEDINGS AT GENERAL MEETINGS**

- 6.1 No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. The quorum at a general meeting shall consist of one (1) “A” Shareholder and one (1) “B” Shareholder each of whom is present in person or by proxy or, in the case of a corporation, by a duly authorised representative.
- 6.2 If a quorum is not present within one (1) hour from the time appointed for a general meeting, the meeting shall stand adjourned to the same day in the next week at the same time and place and if a quorum is then not present it shall stand adjourned likewise to the following week; if a quorum is again not present, then at such readjourned meeting the member or members present shall form a quorum and a resolution shall be valid if passed by a majority vote irrespective of which member or members vote in favour of its being passed (provided that this shall only be the case for the purposes of the transaction of the business specified in the agenda contained in the notice of the meeting).

#### **VOTES OF MEMBERS**

- 7.1 Subject to any rights or restrictions attached to any shares, each member who (being an individual) is present in person or by proxy or (being a corporation) is present by duly authorised representative shall have one vote for every share of which he is the holder.
- 7.2 The chairman shall not have a casting vote in the event of equality.

#### **NUMBER OF DIRECTORS**

8. The directors shall not be more than four (4) in number of whom not more than two (2) shall be “A” Directors and not more than two (2) shall be “B” Directors.

#### **APPOINTMENT AND REMOVAL OF DIRECTORS**

- 9.1 The Controlling “A” Shareholder(s) shall be entitled at any time and from time to time to appoint a total of two (2) directors as “A” Directors and to remove or replace any director so appointed.
- 9.2 The Controlling “B” Shareholder(s) shall be entitled at any time and from time to time to appoint a total of two (2) directors as “B” Directors and to remove or replace any director so appointed.

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- 9.3 Every appointment and removal of a director under Articles 9.1 and 9.2 shall be effected by notice in writing signed by or on behalf of the Controlling “A” Shareholder(s) or the Controlling “B” Shareholder(s), as the case may be, and shall take effect immediately upon receipt of such notice at the registered office of the Company or by the Secretary or as and from such date (if any) thereafter as may be specified in such notice.

#### **ALTERNATE DIRECTORS**

- 10.1 At the end of regulation 66 of Table A there shall be added the following sentence:
- “A director or any other person may act as alternate director to represent more than one director, and an alternate director shall be entitled at meetings of the directors or any committee of the directors to one vote for every director whom he represents in addition to his own vote (if any) as a director, but he shall count as only one for the purpose of determining whether a quorum is present.”

10.2 At the end of regulation 67 of Table A, there shall be added the following sentence:

“The appointment of an alternate director shall also terminate automatically on the happening of any event which if he were a director would cause him to vacate his office as director.”

#### **INTERESTS OF DIRECTORS**

11. A director may vote at any meeting of the directors or a committee of the directors on any resolution concerning a transaction or arrangement with the Company or in which the Company is interested, or concerning any other matter in which the Company is interested, notwithstanding that he is interested in that transaction, arrangement or matter or has in relation to it a duty which conflicts or may conflict with the interests of the Company.

#### **PROCEEDINGS OF DIRECTORS**

12. Any director may, and the Secretary shall on the requisition of any director, at any time summon a meeting of the directors. Unless all the directors shall otherwise agree, at least two (2) weeks written notice of every meeting of the directors shall be given and no business except that in respect of which the notice has been given shall be transacted at that meeting unless all the directors otherwise agree. A director's attendance at a meeting of directors convened by less than two week's notice shall constitute a waiver of his rights to object to the failure to give such notice.

13.1 The quorum for the transaction of the business of the directors shall be one (1) "A" Director and one (1) "B" Director each of whom must be present throughout the meeting. Questions arising at a meeting shall only be capable of resolution if at least one (1) of the "A" Directors and at least one of the "B" Directors who are present vote in favour of the resolution.

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13.2 If a quorum is not present within one (1) hour from the time appointed for a meeting of the directors, the meeting shall stand adjourned to the same day in the next week at the same time and place and if a quorum is then not present it shall stand adjourned likewise to the following week; if a quorum is again not present, then at such re-adjourned meeting any two (2) directors shall form a quorum and a resolution will be valid if passed by majority vote irrespective of which directors vote in favour of its being passed (provided that this shall only be the case for the purpose of the transaction of the business specified in the agenda contained in the notice of the meeting).

14. If and so long as the number of the directors is reduced below the quorum prescribed by Article 13, the continuing directors may act for the purpose of convening a general meeting of the Company but for no other purpose.

15. Unless the Controlling "A" Shareholder(s) and the Controlling "B" Shareholder(s) agree otherwise, the directors may appoint one of their number to be the chairman of the board of directors and may at any time remove him from that office. The director so appointed shall preside at every meeting of directors at which he is present but in the absence of such a director, or if such director is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the directors present may appoint one of their number to be chairman of the meeting. The chairman shall not have a second or casting vote.

16.1 A committee of directors shall always consist of at least one (1) "A" Director and one (1) "B" Director who shall be present throughout any committee meeting. Regulation 72 of Table A shall be modified accordingly.

16.2 A committee of directors may meet and adjourn as it sees fit. No decision of a committee shall be effective unless at least one (1) "A" Director and one (1) "B" Director who are present vote in favour.

17. Without prejudice to the first sentence of regulation 88 of Table A, a meeting of the directors or of a committee of the directors may consist of a conference between directors who are not all in one place, but of whom each is able (directly or by telephonic communication) to speak to each of the others, and to be heard by each of the other simultaneously; and the word "meeting" in these Articles and in Table A shall be construed accordingly.

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**ANNEX 2**

#### **MANAGEMENT AND SALES REPRESENTATION AGREEMENT**

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#### **MANAGEMENT AND SALES REPRESENTATION AGREEMENT**

**BY AND BETWEEN**

**TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**

**AND**

**ZERUST (UK) LIMITED**

**DATED AS OF                      DECEMBER 1996**

#### **MANAGEMENT AND SALES REPRESENTATION AGREEMENT**

**THIS AGREEMENT** is made the                      day of December 1996

**BETWEEN:**

- (1) **TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED** of Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter "TP"); and
- (2) **ZERUST (UK) LIMITED** of Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter "the Company").

**ARTICLE 1.**

**1. DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

**1.1 Ancillary Agreements.**

The following are the Ancillary Agreements and the Parties thereto:

- 1.1.1 Management and Sales Representation Agreement between TP and the Company ("Management Agreement");
- 1.1.2 License Agreement between NTI and the Company ("License Agreement"); and
- 1.1.3 Technical Assistance and Marketing Support Agreement between NTI and the Company ("Technical Assistance Agreement") and "Ancillary Agreement" shall be construed accordingly.

**1.2 At Cost.**

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the proscription "At Cost").

**1.3 Change of Control.**

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

**1.4 Company or Joint Venture.**

Zerust (UK) Limited, being that entity created in the Territory by the Parties pursuant to the Joint Venture Agreement to conduct the Company's Business.

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**1.5 Company's Business.**

The Company's Business shall be the manufacturing, marketing and distribution of Product in the Territory.

**1.6 Completion.**

Completion of the Joint Venture Agreement in accordance with its terms. "Completed" shall be construed accordingly.

**1.7 Effective Date.**

The date upon the Joint Venture Agreement is Completed.

**1.8 Joint Venture Agreement or Agreement.**

That certain Joint Venture Agreement by and between Northern Technologies International Corporation, 6680 North Highway 49, Lino Lakes, Minnesota 55014, ("NTI") and TP, for the formation and governance of a new entity under the laws of England in the form of a company which shall be known as Zerust (UK) Limited.

**1.9 Knowhow.**

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper use and application of the Process, together with all improvements and modifications with respect thereto.

**1.10 Masterbatch.**

Any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

**1.11 Materials.**

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

**1.12 Net Sales.**

The total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated to any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

**1.13 NTI Affiliates.**

All entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Joint Venture Agreement and the Ancillary Agreements as defined herein, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and "NTI Affiliate" shall be construed accordingly.

**1.14 NTI Intellectual Property Rights.**

The Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI.

**1.15 NTI Trade Secrets.**

All information deemed and designated confidential, both in the Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates (as hereinafter defined) both in the Territory and elsewhere.

**1.16 Parties**

The Parties to the Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns and "Party" shall be construed accordingly.

**1.17 Product.**

Corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilizing the Trademark.

**1.18 Process.**

The procedure utilizing the Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

**1.19 Territory.**

The United Kingdom.

**1.20 Trademark.**

The names and style "ZERUST", "THE ZERUST PEOPLE", and the colour yellow in relation thereto (which, in each case, are the subject of Community Trade Mark applications), which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto.

**ARTICLE 2.****2. EMPLOYMENT OF TP AS MANAGER****2.1 Employment of Manager.**

The Company hereby employs TP to manage, supervise and conduct the Company's Business. TP hereby accepts such employment and agrees to serve in such capacity in accordance with the terms hereof and of the Joint Venture Agreement and the Ancillary Agreements.

**2.2 Duties and Authority of Manager.**

TP shall have all authority which may be necessary, desirable or appropriate in connection with the discharge of its duties hereunder, subject only to applicable limitations contained in the Joint Venture Agreement, the Ancillary Agreements and the provisions of Article 2 hereof. TP shall use its best efforts in the performance of its duties and shall discharge same and conduct the Company's Business in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

**2.3 Responsibility of Manager for Specific Activities.**

In the course of fulfilling its responsibilities pursuant to this Agreement, TP shall carry out the following activities on behalf of the Company.

2.3.1 Cause the Company to comply with the terms of the Joint Venture Agreement and the Ancillary Agreements;

2.3.2 Acquire such materials, supplies, equipment, services and technical assistance as may be necessary, desirable or appropriate for the conduct of the Company's Business;

- 2.3.3 Procure from outside experts, consultants and professionals such engineering, legal, advertising, promotional, and, except for accounting services (which shall be provided in accordance with the Joint Venture Agreement), other advisory and professional services as may be necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.4 Protect, keep and maintain the properties and assets of the Company and such properties and assets of the Parties to the Joint Venture Agreement as are in the Company's actual possession;
- 2.3.5 Hire, train and supervise such personnel as may be necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.6 Provide all executive and administrative responsibilities and services necessary, desirable or appropriate for the conduct of the Company's Business;
- 2.3.7 Cause the Company to comply with all laws applicable to the Company's Business;
- 2.3.8 Process all customer orders, provide billings to customers and make adjustments with customers as appropriate;
- 2.3.9 Manage the credit risk of the Company including making inquiries regarding the creditworthiness of potential customers;
- 2.3.10 Manufacture or cause the manufacture of the Product by Submanufacturers (as hereinafter defined) in the Territory At Cost as far as the Manager and its affiliates are concerned;
- 2.3.11 Maintain the books and records of the Company in accordance with the normal practices of similar businesses in the Territory;
- 2.3.12 Prepare and file with governmental authorities all required reports and returns relating to the Company's Business;
- 2.3.13 Procure on behalf of the Company product liability, public liability and other liability, casualty, and general insurance, necessary, desirable and appropriate for the conduct of the Company's Business the Territory;
- 2.3.14 Establish and maintain a segregated bank account or accounts in the name of the Company for the deposit and disposition of all funds generated by and disbursed for the Company's Business;
- 2.3.15 Apply standards for the extension of credit and establish and maintain systems for the collection of all accounts, including overdue accounts in accordance with the normal practices of similar businesses in the Territory;

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- 2.3.16 Coordinate the pricing and discount structure for the sale of Product to customers and/or distributors in the Territory, which will result in a reasonable profit to the Company, subject to the provisions of Article 7.3.q. of the Joint Venture Agreement;
  - 2.3.17 Arrange for the preparation and delivery of the Company's financial statements as required by the Joint Venture Agreement; and
  - 2.3.18 Do or cause the Company to do all other acts and things as may be necessary, desirable or appropriate in connection with the conduct of the Company's Business within its corporate authority as stated in its Articles of Incorporation, subject to the Joint Venture Agreement, the Ancillary Agreements and Resolutions of the Board of Directors.

### ARTICLE 3.

## **3. EMPLOYMENT OF TP AS EXCLUSIVE SALES REPRESENTATIVE**

### **3.1 Employment of Exclusive Sales Representative.**

The Company hereby employs TP as its Exclusive Sales Representative for the marketing and sale of Product in the Territory, and TP hereby accepts such employment and agrees to use its best efforts in accordance with the terms hereof to promote the marketing and sale of Product in the Territory.

### **3.2 Duties and Authority of Exclusive Sales Representative.**

TP shall use its best efforts in the performance of its duties hereunder and shall discharge the same in a good, workmanlike and commercially reasonable manner and in accordance with sound business practices and the standard of diligence and care normally exercised by duly qualified persons in the performance of comparable work.

### **3.3 Promotion of Product and Trademark.**

In connection with the discharge of its duties hereunder TP shall use its best efforts to solicit and to obtain business and, in so doing, to develop an increasing awareness of the Product and the ZERUST trade name and the Trademark among potential customers. Such sales efforts will be carried on by properly trained sales personnel who shall thoroughly, energetically and regularly canvass and call upon customers and potential customers. TP shall advise NTI on a periodic basis (not less frequently than quarterly) as to the status of its sales efforts, the nature of orders obtained and the amount of backlog.

### **3.4 Preparation and Use of Promotional Material.**

TP shall not prepare or distribute any promotional material, literature, specifications, manuals, product claims or descriptions concerning the Materials, Masterbatch, Process, Knowhow, Product or NTI Intellectual Property Rights without the prior written consent and approval thereof by NTI.

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## **3.5 Warranties.**

TP shall make no warranty on behalf of NTI or the Company and shall instruct its Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) to make no warranty on behalf of NTI or the Company TP as to the Process, Knowhow, Product or NTI Intellectual Property Rights, except in accordance with documentation specifically approved by NTI.

ARTICLE 4.

**4. PAYMENTS TO TP FOR ITS SERVICES AS MANAGER AND AS EXCLUSIVE SALES REPRESENTATIVE OF THE COMPANY**

**4.1 Basis for Payments.**

The Company shall make payments to TP which are provided for in this Article 4 in consideration of the services performed by TP as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Management and Sales Representation Agreement as compensation for the services set forth above and duly provided by TP.

**4.2 Compensation to TP for Management Services Rendered to the Company.**

As compensation for its management services to be rendered pursuant to this Agreement, the Company shall pay to TP a fee equal to five percent (5%) of the amount of Net Sales of Product, plus reimbursement of all out-of-pocket expenses (At Cost) paid or incurred by TP in the discharge of its responsibilities hereunder. Such amounts shall be paid to TP within thirty (30) days after the conclusion of each quarterly period, based upon Net Sales and out-of-pocket expenses during the preceding quarterly period.

**4.3 Compensation to TP for Services as Exclusive Sales Representative to the Company.**

TP shall receive compensation for its services to the Company as Exclusive Sales Representative hereunder equal to ten percent (10%) of the total Net Sales of Product by the Company, plus out-of-pocket expenses (At Cost) incurred in the performance of its duties in this regard. In the course of effectuating sales, TP may either purchase Product directly from the Company and thereupon resell same to customers for its own account, or alternatively serve as a commission agent for the Company, but not both; provided that the total margin to TP does not exceed 10%. Payment terms for Product purchased by TP from the Company for resale to customers shall be equal to the same terms offered by TP on behalf of the Company to third parties fulfilling the same functions and payment for Product purchased shall be made by TP to the Company forthwith upon receipt of payment from customers.

**4.4 When a Sale is Deemed to Occur.**

A sale shall be deemed to have occurred when Product has been billed or (if not billed) delivered to and paid for by a customer.

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**4.5 Support Year.**

The term "Support Year" shall mean any twelve (12) month period ending on August 31, except that the first Support Year shall commence on the Effective Date.

**4.6 Statements to TP.**

Within thirty (30) days after the last day of each quarterly period in each Support Year, the Company shall:

- 4.6.1 Prepare and deliver to TP a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:
  - 4.6.1.1 The total amount of Net Sales (broken down in reasonable detail by individual products and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
  - 4.6.1.2 The total amount of compensation on such Net Sales (computed as hereinbefore provided) payable to TP for its Management and Sales Representation Services to the Company hereunder.
- 4.6.2 Pay to TP the full amount of compensation to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 4.6.1 hereof

**4.7 Books and Records.**

The Company covenants and agrees:

- 4.7.1 That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI, TP or their independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Article 4.6.1;
- 4.7.2 That it will keep all such records and books of account at its principal office and will preserve each such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

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- 4.7.3 That it will make such records, books of account, data and information available to TP, NTI and/or their representatives and independent accountants and will give to such representative or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Article 4.6.1 hereof. In addition, TP and NTI shall have the right to make copies of any of the foregoing. The independent accountants of the Company shall in the ordinary course of business provide written confirmation and certification to TP and NTI, at least annually, of the data to be supplied to TP and NTI pursuant to Article 4.6.1 hereof. The cost of such reports shall be borne by the Company. In the event that TP or NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by TP or

NTI, as the case may be, unless such representatives shall determine, to the satisfaction of the Company's independent accountants, that there is an understatement in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of TP's or NTI's representatives and/or accountants shall be borne by the Company.

## ARTICLE 5.

### **5. PROTECTION OF TP TRADE SECRETS**

#### **5.1 Identification of TP Trade Secrets.**

The Parties acknowledge that it is not intended that TP impart its technology or trade secrets to the Company or, through the Company, to third parties or NTI; The Parties recognize, however, that TP may impart information to the Company to further the Company's Business, which TP considers to be proprietary in nature and thus wishes to be kept confidential (TP Trade Secrets), and that such Trade Secrets may come to be imparted to NTI through the Company. In order for such information to be considered under the category of TP Trade Secrets, TP must alert the Company and NTI to the fact that it intends to impart information it considers proprietary to the Company, in writing, in advance of imparting such information, and clearly identifying such information as a TP Trade Secret.

#### **5.2 Protection of TP Trade Secrets.**

The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all TP Trade Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and Ancillary Agreements. TP Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If a TP Trade Secret shall be in the public domain as the result of an act by the Company or any Agent thereof, then the Company shall nevertheless continue to keep such TP Trade Secrets secret and inviolate.

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### **5.3 Protection of TP Trade Secrets by Agents of the Company.**

Neither the Company, nor its Agents (as hereinafter defined), shall at any time copy, remove from their proper location - be it within the Company or elsewhere - ; or retain without TP's prior written consent, the originals or copies of any TP Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as TP Trade Secrets be strictly maintained both as to original documents and copies thereof.

5.3.1 Insofar as the officers, employees and consultants of the Company (herein collectively "Agents") who come in contact with TP Trade Secrets are concerned, the Company shall cause such Agents to enter into TP Trade Secrecy Agreements substantially in the form of Annex II to this Agreement. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

5.3.2 The Parties hereby agree and acknowledge that TP is an intended third party beneficiary of the Trade Secrecy Agreements, and that TP may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 5.3.1 hereof) and/or Submanufacturers (as defined in Article 6.3.1.1 of the Licence Agreement) who have executed same.

### **5.4 Remedies in the Event of a Violation of Article 5 hereof.**

It is understood and recognized by the Company that in the event of any violation by the Company of the provisions of Article 5 hereof, TP's remedy at law will be inadequate and TP will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief in any court of competent jurisdiction to protect TP Trade Secrets. Such relief shall be in addition to any other relief to which TP may be entitled at law or in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

### **5.5 Exculpation of the Company in the Event of Disclosure of TP Trade Secrets as a result of Any Action by TP.**

Notwithstanding the foregoing or any other provision of this Agreement, the Company shall be exculpated from any action by TP which results in the disclosure of Trade Secrets to any third party, whether such action results from the performance of under this Agreement, the Joint Venture Agreement, any other Ancillary Agreement or otherwise.

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## ARTICLE 6.

### **6. COVENANT TO OBSERVE THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

#### **6.1 Doctrine of Corporate Opportunity and Observance Thereof.**

It is the intent of the Parties to this Agreement, the Joint Venture Agreement and to the other Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under the Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

#### **6.2 Agreement Not to Divert Resources.**

TP agrees and covenants that during the term of this Agreement, TP shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage,

operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of the Product from the Company within the Territory except through the Company in furtherance of the Company's Business. During said term TP shall not in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material Breach of the Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 7 hereof; (iv) pursuant to Article 8 hereof; (v) or upon a Breach of Articles 5 or 6 hereof, then the Company shall continue to be bound by the provisions of this Article 6 for a period of two years following the date of termination, but shall at no time be permitted to use TP Trade Secrets, as the case may be, for any activity outside TP's involvement with the Company.

### **6.3 Remedies for Breach of Agreement Not to Divert Resources.**

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 6 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to the Joint Venture and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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## **ARTICLE 7.**

### **7. TERM OF AGREEMENT**

#### **7.1 Indefinite Term.**

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect indefinitely unless: -

7.1.1 terminated by either Party in accordance with the provisions of Articles 5 and/or 6 hereof;

7.1.2 terminated by either Party by reason of a Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 8 hereof; or

7.1.3 any of the Ancillary Agreements or the Joint Venture Agreement shall be terminated by a Party in accordance with its terms.

In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

#### **7.2 Payment of Amounts Due.**

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

#### **7.3 Non-Release of Obligations.**

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 5 hereof, upon termination of this Agreement TP Trade Secrets shall continue to be kept secret and confidential.

## **ARTICLE 8.**

### **8. DEFAULT**

#### **8.1 Default.**

A Default ("Default") hereunder shall exist in the event of:

8.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or

8.1.2 A material breach ("Breach") of any provision of the Joint Venture Agreement or the Ancillary Agreements other than Articles 5 or 6 hereof;

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8.1.3 A breach of Articles 5 and/or 6 hereof.

#### **8.2 Remedies upon Default.**

The remedies available to each Party in an instance of Default by another Party shall be as follows:

8.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with

due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

8.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 5 and/or hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

### **8.3 Non-Waiver of Rights.**

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 8.1 or 8.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 8.2 hereof), or on account of any subsequent Breach or Default by a Party.

## **ARTICLE 9.**

### **9. ARBITRATION**

#### **9.1 Arbitration Mandatory.**

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

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9.1.1 a dispute as to whether a Default exists;

9.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;

9.1.3 a dispute as to the validity of this Article 9;

9.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;

9.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

(a) based upon a Party's violation of the provisions of this Agreement relating to TP Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 5 and/or 6 hereof

(b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

#### **9.2 Punitive Damages Excluded.**

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

## **ARTICLE 10.**

### **10. GENERAL PROVISIONS**

#### **10.1 Benefit of Parties.**

All of the terms and provisions of this Agreement, and of the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

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#### **10.2 Counterparts.**

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

#### **10.3 Cooperation.**

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Joint Venture Agreement and the Ancillary Agreements and to carry out the true intent and purpose

thereof.

#### 10.4 Index and Captions.

The captions of the Sections and Articles of this Agreement are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof shall be incorporated herein as written and made a part hereof.

#### 10.5 Waiver of Compliance.

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

#### 10.6 Force Majeure.

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lockouts, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

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#### 10.7 Notices.

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL or equivalent, as follows:

If to TP to: Taylor Packaging (Bishop Auckland) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Tel: 01388 420 555  
Fax: 01388 420 777

If to the Company: Zerust (UK) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Tel: 01388 420 555  
Fax: 01388 420 777

Copy to: Philip M Lynch  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

If to NTI, to: Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to: Philip M. Lynch  
One Commerce Park Square  
23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

or to such other address as may be specified in writing by any of the above.

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#### 10.8 Entire Agreement.

This Management and Sales Representation Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the parties hereto. There are no prior representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement.

**10.9 Validity of Provisions.**

Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

**10.10 Governmental Filings.**

The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. TP shall provide whatever material and information required of and available to it in connection with the preparation and filing of such reports.

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**10.11 Payments.**

Any payment to be made by the Company to TP pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by TP. TP shall have the right to specify in writing any bank account to which payments due shall be made.

**10.12 Derivative Enforcement.**

NTI may, derivatively for and on behalf of the Company, enforce the terms hereof against TP, its Agents, and/or the Agents and/or the Submanufacturers of the Company in the event of a material Breach or Default of this Agreement. In the event of derivative enforcement hereunder, the matter shall be submitted to arbitration in accordance with the provisions of Article 9 hereof.

**10.13 Changes Subject to Approval of NTI.**

The parties to this Agreement shall not change, modify or amend this Agreement in any respect without the prior written consent of NTI.

**10.14 Applicable Law.**

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

**10.15 RTPA.**

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

TAYLOR PACKAGING (BISHOP  
AUCKLAND) LIMITED

By \_\_\_\_\_

ZERUST (UK) LIMITED

By \_\_\_\_\_

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**ANNEX I**

**APPROVAL OF NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**

By its signature hereto Northern Technologies International Corporation approves and agrees to the terms and provisions of this Management and Sales Representation Agreement and the Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that Northern Technologies International Corporation shall also have a direct right of action in its own name for the enforcement of the provisions of this Agreement.

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

TRADE SECRECY AGREEMENT

**THIS AGREEMENT**, dated this [ ] day of [ ]

**BETWEEN:**

- (1) **ZERUST (UK) LIMITED** a company incorporated under the laws of England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham. DL 16 6YT (“the Company”);
- (2) [ ] (“the Agent”); and
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, USA (“NTI”) the principal place of business of which is Lino Lakes, Minnesota, USA.

WHEREAS, the Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information;

WHEREAS, the Company receives Technical Assistance and Marketing Support from Northern Technologies International Company (“NTI”) for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilizing the trademark “ZERUST” in the Territory (the “Product”); and

WHEREAS, the Company and NTI have expended and will continue to expend substantial sums of money to train the Agent in the Company’s business including but not limited to marketing the Product, and without which expenditures the Agent would have no such training in the Company’s business and marketing the Product; and

WHEREAS, the Company and NTI have imparted and will continue to impart to the Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of the Company and NTI;

NOW THEREFORE, in consideration of the employment of the Agent by the Company, the special training with respect to the Company’s business and the Product to be provided to him, and the salary to be paid to the Agent by the Company during the term of his employment, it is agreed as follows:

1. The Agent agrees that during his employment by the Company and for so long thereafter as the same has not (other than a result of disclosure by the Company) entered the public domain, he will not, without the prior written consent of the Company and NTI, (i) use outside of the service of the Company or (ii) disclose or divulge to anyone other than persons designated by the Company, any of the following:
  - a. any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to, process, techniques, research, methods technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of the Company or NTI, knowledge of which is acquired by the Agent during the term of his employment by the Company (collectively, “Trade Secrets”).
  - b. any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively “Internal Data”).
2. The Agent shall at no time copy, remove from their proper location, or retain without the Company’s prior written consent, the originals or copies of such Trade Secrets or Internal Data.
3. The Agent shall not, for a period of three (3) years subsequent to the termination of his employment with the Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with the Company in the marketing, sale of manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of the Company, if such employment would in its inherent nature require the Agent to utilize any of the Trade Secrets, Internal Data or portions thereof.
4. The Agent and the Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of the Company, if NTI, in its sole judgement, chooses to do so, and may proceed directly against the Agent for any breach of the Agent’s obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

LICENCE AGREEMENT

**LICENSE AGREEMENT**

**BY AND BETWEEN**

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

**AND**

**ZERUST (UK) LIMITED**

**DATED AS OF        DECEMBER 1996**

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**LICENSE AGREEMENT**

**THIS AGREEMENT** is made the            day of December 1996

**BETWEEN**

- (1) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, whose principal office is located in Lino Lakes, Minnesota, U.S.A., (hereinafter "NTI"); and
- (2) **ZERUST (UK) LIMITED** a company incorporated in England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter the "Company").

**ARTICLE 1**

**1. DEFINITIONS**

For the purposes of this Agreement, the following definitions shall apply:

**1.1 Ancillary Agreements**

The following are the Ancillary Agreements and the Parties thereto:

- 1.1.1 Management and Sales Representation Agreement between TP and the Company ("Management Agreement");
  - 1.1.2 License Agreement between NTI and the Company ("License Agreement"); and
  - 1.1.3 Technical Assistance and Marketing Support Agreement between NTI and the Company ("Technical Assistance Agreement")
- and "Ancillary Agreement" shall be construed accordingly.

**1.2 At Cost**

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the prescription "At Cost").

**1.3 Change of Control**

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

**1.4 Company or Joint Venture**

Zerust (UK) Limited, being that entity created in the Territory by the Parties pursuant to the Joint Venture Agreement to conduct the Company's Business.

**1.5 Company's Business**

The Company's Business shall be the manufacturing, marketing and distribution of Product in the Territory.

**1.6 Completion**

Means completion of the Joint Venture Agreement in accordance with its terms. "Completed" shall be construed accordingly.

**1.7 Effective Date**

The date upon which the Joint Venture Agreement is Completed.

**1.8 Joint Venture Agreement**

That certain Joint Venture Agreement by and between Northern Technologies International Corporation, 6680 North Highway 49, Lino Lakes, Minnesota 55014, ("NTI") and TP for the formation and governance of a new entity under the laws of England in the form of a company (the "Company"), which shall be known as Zerust (UK) Limited.

**1.9 Knowhow**

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper use and application of the Process, together with all improvements and modifications with respect thereto.

**1.10 Masterbatch**

Any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

**1.11 Materials**

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

**1.12 Net Sales**

The total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated to any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

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**1.13 NTI Affiliates**

All entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Joint Venture Agreement and the Ancillary Agreements or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and "NTI Affiliate" shall be construed accordingly.

**1.14 NTI Intellectual Property Rights**

The Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI.

**1.15 NTI Trade Secrets**

All information deemed and designated confidential, both in the Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates (as hereinafter defined) both in the Territory and elsewhere.

**1.16 Parties**

The Parties to the Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns and "Party" shall be construed accordingly.

**1.17 Process**

The procedure utilizing the Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

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**1.18 Product**

Corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilizing the Trademark.

**1.19 Territory**

The United Kingdom.

**1.20 TP**

Taylor Packaging (Bishop Auckland) Limited (registered number 01999397), whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ;

**1.21 Trademark**

The names and style "ZERUST", "THE ZERUST PEOPLE", and the colour yellow in relation thereto (which, in each case, are the subject of Community Trade Mark applications), which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto.

## **2. GRANT OF LICENSE BY NTI TO TP**

### **2.1 NTI'S Representations**

NTI hereby represents that it is the owner of the Intellectual Property Rights and that it is free to license and to disclose same to the Company.

### **2.2 Grant of License**

NTI hereby grants to the Company upon the terms, provisions and conditions set forth herein, an exclusive, non-transferable right and license under NTI's Intellectual Property Rights to make, have made, use, sell or otherwise dispose of the Product incorporating the Materials and Masterbatch under the Trademark within the Territory. The Company shall not sell, distribute, promote or solicit customers for the Product outside of the Territory in such countries or regions where (i) NTI has a corresponding patent(s) filed and in effect; (ii) NTI has licensed or otherwise authorized the use of the Trademark; (iii) NTI has granted exclusive sales rights to a third party licensee; (iv) NTI has formed an alliance with another NTI Affiliate; or (v) NTI engages in the regular sale of Product.

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### **2.3 Commitment to NTI**

If during the term of this Agreement, the Company, without the prior written consent of NTI, enters into a licence, distribution agreement or any other agreement or relationship with any other undertaking for the use of such undertaking's processes, know-how, techniques and procedures which would in any way conflict with, substitute or impede the Company's obligation to develop the market relating to the NTI Intellectual Property Rights licensed hereunder, NTI shall have the right to terminate this Agreement forthwith. The Company shall use its best endeavors to manufacture and market the Product and to develop the market for the Product in the Territory.

### **2.4 Enlargement of Scope of NTI Intellectual Property Rights not subject to this License**

It is recognized that over a period of time the scope of the NTI Intellectual Property Rights not covered by this License Agreement may expand in related areas. The addition of such new NTI Intellectual Property Rights under this License Agreement shall be as mutually agreed by NTI and the Company, based upon their joint assessment of the prospective market therefor within the Territory and the suitability of including such new NTI Intellectual Property Rights within the Company's Business.

### **2.5 Claims against the Company for Infringement**

In the event that any third party shall claim that the Company is infringing upon its patents or other intellectual property rights, the Company shall promptly notify NTI of such claims. Thereafter, NTI and the Company shall together determine an appropriate course of conduct in response to such claims.

## **ARTICLE 3**

## **3. IMPROVEMENTS AND MODIFICATIONS TO NTI INTELLECTUAL PROPERTY RIGHTS**

### **3.1 Ongoing Research and Development by NTI**

NTI shall continue its efforts in the research and development of the Process and in the improvement of the Product and shall make the results of such research and development available to the Company.

### **3.2 Improvements by NTI**

Any and all Knowhow, improvements or modifications, of whatever nature and description, made by or through NTI's efforts or acquired by it or coming under its control during the term of this Agreement which relate to the Product and which are useful or suitable for use in the Company's Business, shall be deemed to be covered by this Agreement and shall be made available to the Company without any payment in addition to the payments provided for in this Agreement. It is understood, however, that if NTI should acquire such Knowhow, improvements or modifications related to the Product by means of a license from third parties, then NTI's obligations hereunder shall be subject to the provisions of such license.

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### **3.3 Disclosure by NTI to the Company**

NTI agrees to promptly disclose to the Company any and all improvements or modifications to the NTI Intellectual Property Rights covered by this license, and any and all Knowhow and technical information which NTI may acquire with respect to or relating to any such improvements or modifications. Anything in this Agreement to the contrary notwithstanding, in the event that:

3.3.1 NTI should determine that any improvements or modifications to the Product are themselves patentable and the disclosure thereof would in any manner adversely affect NTI's ability to obtain a patent with respect thereto or would otherwise be adverse to its best interests, and

3.3.2 NTI intends to file or has filed a patent application with respect thereto, then NTI shall be under no obligation to make disclosure thereof to the Company until it has obtained adequate patent protection in the opinion of its patent counsel. When such patent protection has been obtained, the subject improvements or modifications will be disclosed to the Company and the same will fall within the scope of the License granted to the Company pursuant to this License Agreement.

## **ARTICLE 4**

## **4. GRANT OF RIGHT AND LICENSE BY THE COMPANY TO NTI**

### **4.1 Disclosure of Improvements to NTI by the Company**

The Company agrees to promptly disclose to NTI any improvements or modifications to NTI Intellectual Property Rights of whatever nature or description, which come to be learned by the Company or which are made by or through its efforts, without any obligation by NTI to make payment therefor.

#### 4.2 Grant of Right and License

The Company hereby grants to NTI an exclusive, non-transferable, worldwide and fully paid-up right and license under any intellectual property rights, trade secrets and knowhow owned, controlled, acquired or which may otherwise be transferred or granted by the Company during the term of this Agreement to make, have made, use, sell or otherwise dispose of products incorporating any or all improvements to NTI Intellectual Property Rights and to sublicense third parties to do the same. The term of such license shall continue so long as this Agreement and the Ancillary Agreements shall be in full force and effect.

#### 4.3 Obligations of The Company Concerning the Filing of New Patents

The Company agrees that at NTI's request and at NTI's cost it will promptly file and diligently prosecute applications for letters patents in NTI's name on any and all patentable improvements to NTI Intellectual Property Rights coming into its purview in the Territory. The Company further agrees, upon NTI's request and at NTI's cost, to promptly file and diligently prosecute corresponding patent applications in NTI's name in such other countries outside the Territory as are designated by NTI.

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#### 4.4 Review of Potentially Infringing Technology

In the event that the Company shall learn of any technology, processes or patents developed or owned by third parties which may infringe or otherwise be in conflict with NTI Intellectual Property Rights, then the Company will forthwith provide NTI with whatever information it may have with respect thereto. NTI and the Company will then consult with one another as to an appropriate course of conduct:

- 4.4.1 taking appropriate legal action against such third party for infringement of NTI's Trade Secrets or other NTI Intellectual Property Rights; and/or
- 4.4.2 the advisability of purchasing, licensing or otherwise acquiring such technology, processes or patents of such third parties, in which event such rights as are acquired shall be extended to NTI pursuant to Article 4.2 hereof. Based upon their joint decision, the Company shall exert its best efforts to carry out whatever the Parties have determined to be in their mutual best interest.

### ARTICLE 5

#### 5. ROYALTIES

##### 5.1 Basis for Royalties

The Company shall pay the royalties to NTI which are provided for in this Article 5 in consideration of the grant of license as set forth in Article 2. Payment of the royalties shall be made throughout the term of this License Agreement as compensation for the use of NTI Intellectual Property Rights.

##### 5.2 Amount of Royalties

The Company shall pay to NTI a royalty equal to seven and one-half percent (7.5%) of Net Sales from the Company's Business. Royalties shall be paid in United States Dollars to an account or accounts as may be designated by NTI from time to time.

##### 5.3 When a Sale is Deemed to Occur

A sale shall be deemed to have occurred when Product has been billed, (if applicable) and delivered to and paid for by a customer.

##### 5.4 License Year

The term "License Year" shall mean any twelve (12) month period ending on August 31, except that the first License Year shall commence on the Effective Date.

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##### 5.5 Statements to NTI

Within thirty (30) days after the last day of each quarterly period in each License Year, the Company shall:

- 5.5.1 Prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the License Year:
- 5.5.2 The total amount of Net Sales (broken down in reasonable detail by individual products and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and
- 5.5.3 The total amount of the royalties on such Net Sales (computed as hereinbefore provided) payable to NTI.
- 5.5.4 Pay to NTI the full amount of the royalties to which it is entitled for and with respect to the period or periods of the License Year covered by the statement(s) provided for in Article 5.5.1 hereof.

##### 5.6 Books and Records

The Company covenants and agrees:

- 5.6.1 That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI or NTI's independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Article 5.5.1;
- 5.6.2 That it will keep all such records and books of account at its principal office and will preserve each such records and books of account for a

period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

- 5.6.3 That it will make such records, books of account, data and information available to NTI's representatives and to NTI's independent accountants and will give to such representative or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Article 5.5.1 hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The Company's auditors shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data to be supplied to NTI pursuant to Article 5.5.1 hereof. The cost of such reports shall be borne by the Company. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by NTI unless such representatives shall determine, to the satisfaction of the Company's auditors, that there is an understatement in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of NTI's representatives and/or accountants shall be borne by the Company.

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## ARTICLE 6

### **6. PROTECTION OF NTI TRADE SECRETS**

#### **6.1 Recognition of NTI Trade Secrets**

The Company acknowledges and agrees that (i) NTI Intellectual property Rights; (ii) other information confidential to NTI and designated herein and hereafter relating to the business of NTI, of the Company, and of NTI Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost data and cost accounting, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins are also included within the definition of NTI Trade Secrets set forth in Article 1.15 hereof and constitute valuable property rights of NTI and NTI Affiliates.

#### **6.2 Protection of NTI Trade Secrets**

The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI Trade Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and Ancillary Agreements. NTI Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI Trade Secret shall be in the public domain as the result of an act by the Company or any Agent (as hereinafter defined) thereof, then the Company shall nevertheless continue to keep such NTI Trade Secrets secret and inviolate.

#### **6.3 Protection of NTI Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of the Company**

Neither the Company, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location, or retain without NTI's prior written consent, the originals or copies of any NTI Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or the Company. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI Trade Secrets be strictly maintained both as to original documents and copies thereof.

- 6.3.1 Insofar as the officers, employees and consultants of the Company (herein collectively "Agents") who come in contact with NTI Trade Secrets are concerned, the Company shall cause such Agents to enter into NTI Trade Secrecy Agreements substantially in the form of Annex II to this Agreement. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

6.3.1.1 To the extent that the Company provides Masterbatch to Submanufacturers requisite quantities to allow such Submanufacturers to manufacture the Product in the Territory in such volumes and forms as may be required for the Company's Business ("Submanufacturers"), it is understood that the Company may find it necessary to disclose certain NTI Trade Secrets to such Submanufacturers.

6.3.1.2 NTI Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI and who have entered into Trade Secrecy Agreements with the Company in a form approved by NTI, but substantially in the form of the Trade Secrecy Agreement set forth in Annex II hereof.

6.3.1.3 Moreover, only those NTI Trade Secrets which are absolutely essential for the manufacturing activities to be carried on by such Submanufacturers shall be disclosed to them.

- 6.3.2 The Company shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to manufacture the Product, incorporating Masterbatch, for the account of the Company. Upon completion of any order for the Product by a Submanufacturer, the Company shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer and so take title to the Product, and shall require the return of any Masterbatch not utilized in the Process.

- 6.3.3 The Parties hereby agree and acknowledge that NTI is an intended third party beneficiary of the Trade Secrecy Agreements, and that NTI may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the

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**6.4 Remedies in the Event of a Violation of Article 6 hereof**

It is understood and recognized by the Company that in the event of any violation by the Company of the provisions of Article 6 hereof, NTI's remedy at law will be inadequate and NTI will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief in any court of competent jurisdiction in order to protect the NTI Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity.

**ARTICLE 7**

**7. COVENANT TO OBSERVE THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

**7.1 Doctrine of Corporate Opportunity and Observance Thereof**

It is the intent of the Parties to this Agreement, the Joint Venture Agreement and to the other Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under the Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

**7.2 Agreement Not to Divert Resources**

The Company, and NTI agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of the Product from the Company within the Territory except through the Company in furtherance of the Company's Business. During said term neither of such Parties shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material Breach of the Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 8 hereof; (iv) pursuant to Article 9 hereof; (v) or upon a Breach of Articles 6 or 7 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of this Article 7 for a period of two years following the date of termination, but shall at no time be permitted to use NTI Trade Secrets, as the case may be, for any activity outside the Company.

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**7.3 Remedies for Breach of Agreement Not to Divert Resources**

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 7 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to the Joint Venture and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

**ARTICLE 8**

**8. TERM OF AGREEMENT**

**8.1 Indefinite Term**

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect indefinitely unless:

- 8.1.1 terminated by either Party in accordance with the provisions of Articles 6 or 7 hereof;
- 8.1.2 terminated by either Party by reason of a Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 9 hereof; or
- 8.1.3 any of the Ancillary Agreements or the Joint Venture Agreement shall be terminated by a Party in accordance with its terms. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

**8.2 Payment of Amounts Due**

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

**8.3 Non-Release of Obligations**

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 6, upon termination of this Agreement NTI Trade Secrets shall continue to be kept secret and confidential.

## ARTICLE 9

### **9. DEFAULT**

#### **9.1 Default**

A Default (“ Default”) hereunder shall exist in the event of:

- 9.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or
- 9.1.2 A material breach (“Breach”) of any provision of the Joint Venture Agreement or the Ancillary Agreements other than Articles 6 and/or 7 hereof;
- 9.1.3 A breach of Articles 6 and/or 7 hereof.

#### **9.2 Remedies upon Default**

The remedies available to each Party in an instance of Default by another Party shall be as follows:

- 9.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party) provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with due diligence. A Party’s right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party’s Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.
- 9.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 6 and/or 7 hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

#### **9.3 Non-Waiver of Rights**

A Party’s failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 9.1 or 9.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 9.2 hereof), or on account of any subsequent Breach or Default by a Party.

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## ARTICLE 10.

### **10. ARBITRATION**

#### **10.1 Arbitration Mandatory**

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

- 10.1.1 a dispute as to whether a Default exists;
- 10.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;
- 10.1.3 a dispute as to the validity of this Article 10;
- 10.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;
- 10.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgement upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys’ fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

- (a) based upon a Party’s violation of the provisions of this Agreement relating to NTI Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 6 and 7 hereof.
- (b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

#### **10.2 Punitive Damages Excluded**

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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**11. GENERAL PROVISIONS**

**11.1 Benefit of Parties**

All of the terms and provisions of this Agreement, and of the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

**11.2 Counterparts.**

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**11.3 Cooperation.**

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Joint Venture Agreement and the Ancillary Agreements and to carry out the true intent and purpose thereof.

**11.4 Index and Captions.**

The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof shall be incorporated herein as written and made a part hereof.

**11.5 Waiver of Compliance.**

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

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**11.6 Force Majeure.**

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

**11.7 Notices.**

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL or equivalent, as follows:

If to NTI, to: Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to: Philip M. Lynch  
One Commerce Park Square  
23200 Chagrin Blvd.,  
Suite 107 Beachwood,  
OH 44122 Tel: 216-595-1740  
Fax: 216-595-1741

If to the Company: Zerust (UK) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Attention: Company Secretary  
Tel: 01388 420 555  
Fax: 01388 420 777

Copy to: Taylor Packaging (Bishop Auckland) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Co. Durham  
DL16 6YJ  
Tel: 01388 420 555  
Fax: 01388 420 777

or to such other address as may be specified in writing by any of the above.

### 11.8 Entire Agreement

This License Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the parties hereto. There are no prior representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement.

### 11.9 Validity of Provisions

Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

### 11.10 Governmental Filings

The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever material and information required of and available to it in connection with the preparation and filing of such reports.

### 11.11 Payments

Any payment to be made by the Company to NTI pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due shall be made.

### 11.12 Derivative Enforcement

TP may, derivatively for and on behalf of the Company, enforce the terms hereof against NTI, in the event of a material Breach or Default of this Agreement by NTI. In the event of derivative enforcement hereunder, the matter shall be submitted to arbitration in accordance with the provisions of Article 10 hereof.

### 11.13 Changes Subject to Approval of TP

The parties to this Agreement shall not change, modify or amend this Agreement in any respect without the prior written consent of TPI.

### 11.14 Applicable Law

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

### 11.15 RTPA

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

By \_\_\_\_\_

ZERUST (UK) LIMITED

By \_\_\_\_\_

APPROVAL OF NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

By its signature hereto Northern Technologies International Corporation approves and agrees to the terms and provisions of this Management and Sales Representation Agreement and the Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that Northern Technologies International Corporation shall also have a direct right of action in its own name for the enforcement of the provisions of this Agreement.

TAYLOR PACKAGING (BISHOP  
AUCKLAND) LIMITED

By \_\_\_\_\_

TRADE SECRECY AGREEMENT

**THIS AGREEMENT**, dated this [ ] day of [ ]

**BETWEEN:**

- (1) **ZERUST (UK) LIMITED** a company incorporated under the laws of England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham. DL 16 6YT (“the Company”);
- (2) [ ] (“the Agent”); and
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, USA (“NTI”) the principal place of business of which is Lino Lakes, Minnesota, USA.

WHEREAS, the Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information;

WHEREAS, the Company receives Technical Assistance and Marketing Support from Northern Technologies International Company (“NTI”) for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilizing the trademark “ZERUST” in the Territory (the “Product”); and

WHEREAS, the Company and NTI have expended and will continue to expend substantial sums of money to train the Agent in the Company’s business including but not limited to marketing the Product, and without which expenditures the Agent would have no such training in the Company’s business and marketing the Product; and

WHEREAS, the Company and NTI have imparted and will continue to impart to the Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of the Company and NTI;

NOW THEREFORE, in consideration of the employment of the Agent by the Company, the special training with respect to the Company’s business and the Product to be provided to him, and the salary to be paid to the Agent by the Company during the term of his employment, it is agreed as follows:

1. The Agent agrees that during his employment by the Company and for so long thereafter as the same has not (other than a result of disclosure by the Company) entered the public domain, he will not, without the prior written consent of the Company and NTI, (i) use outside of the service of the Company or (ii) disclose or divulge to anyone other than persons designated by the Company, any of the following:

- a. any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to, process, techniques, research, methods technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of the Company or NTI, knowledge of which is acquired by the Agent during the term of his employment by the Company (collectively, “Trade Secrets”).
  - b. any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively “Internal Data”).
2. The Agent shall at no time copy, remove from their proper location, or retain without the Company’s prior written consent, the originals or copies of such Trade Secrets or Internal Data.
  3. The Agent shall not, for a period of three (3) years subsequent to the termination of his employment with the Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with the Company in the marketing, sale of manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of the Company, if such employment would in its inherent nature require the Agent to utilize any of the Trade Secrets, Internal Data or portions thereof.

4. The Agent and the Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of the Company, if NTI, in its sole judgement, chooses to do so, and may proceed directly against the Agent for any breach of the Agent's obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

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ANNEX 4

TECHNICAL ASSISTANCE AND MARKETING SUPPORT AGREEMENT

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**TECHNICAL ASSISTANCE AND  
MARKETING SUPPORT AGREEMENT**

**BY AND BETWEEN**

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

**AND**

**ZERUST (UK) LIMITED**

**DATED AS OF           DECEMBER 1996**

**TECHNICAL ASSISTANCE AND MARKETING SUPPORT AGREEMENT**

**THIS AGREEMENT** is made the           day of December 1996

**BETWEEN**

- (1) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, whose principal office is located in Lino Lakes, Minnesota, U.S.A., (hereinafter "NTI"); and
- (2) **ZERUST (UK) LIMITED** a company incorporated in England and Wales with registered number 3248266 whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ (hereinafter the "Company").

**ARTICLE 1.**

**1. DEFINITIONS**

For the purposes of this Agreement, the following definitions of terms shall apply:

**1.1 Ancillary Agreements**

The following are the Ancillary Agreements and the Parties thereto:

- 1.1.1 Management and Sales Representation Agreement between TP and the Company ("Management Agreement");
- 1.1.2 License Agreement between NTI and the Company ("License Agreement"); and
- 1.1.3 Technical Assistance and Marketing Support Agreement between NTI and the Company ("Technical Assistance Agreement")

and "Ancillary Agreement" shall be construed accordingly.

**1.2 At Cost**

Without profit component of any kind, direct or indirect, to the particular Party in the given case (although nothing herein shall preclude such Party from recovering all costs - direct and indirect - arising out of any transaction with the prescription "At Cost").

**1.3 Change of Control**

Any change in ownership, management, control or scope of business activities of a Party which could affect the performance of the duties and/or obligations of such Party under the Joint Venture Agreement or any of the Ancillary Agreements.

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**1.4 Company or Joint Venture**

Zerust (UK) Limited, being that entity created in the Territory by the Parties pursuant to the Joint Venture Agreement to conduct the Company's Business.

#### **1.5 Company's Business**

The Company's Business shall be the manufacturing, marketing and distribution of Product in the Territory.

#### **1.6 Completion**

Means completion of the Joint Venture Agreement in accordance with its terms. "Completed" shall be construed accordingly.

#### **1.7 Effective Date**

The date upon which the Joint Venture Agreement is Completed.

#### **1.8 Joint Venture Agreement or Agreement**

That certain Joint Venture Agreement by and between Northern Technologies International Corporation, 6680 North Highway 49, Lino Lakes, Minnesota 55014, ("NTI") and TP for the formation and governance of a new entity under the laws of England in the form of a company (the "Company"), which shall be known as Zerust (UK) Limited.

#### **1.9 Knowhow**

The technology, formulae, methods and procedures developed by NTI at considerable expense over a period of many years, which are unique in nature and essential or useful in the proper use and application of the Process, together with all improvements and modifications with respect thereto.

#### **1.10 Masterbatch**

Any formulation of the Materials which shall be designated by NTI as appropriate to be applied to the specific requirements for corrosion protection, as afforded by the Product, of a known customer desirous of protecting an identified object (or objects) which are to be subjected to an anticipated certain range of corrosive influences. In addition to Materials, Masterbatch shall generally also contain other substances for the purpose of facilitating the manufacture of Product utilizing the Process.

#### **1.11 Materials**

The constituent materials and chemicals of one or more formulations developed by NTI under strict quality controls which are required for utilization of the Process.

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#### **1.12 Net Sales**

The total proceeds from the sale of Product within the Territory by the Company in normal, bona fide commercial transactions on an arm's length basis to, by, with, or through an entity which is not affiliated to any Party of this Agreement, less the following items: (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

#### **1.13 NTI Affiliates**

All entities and/or individuals with which NTI has a joint venture relationship, similar in character and style but not necessarily identical to the relationship created by the Joint Venture Agreement and the Ancillary Agreements, or another form of alliance, for the development, manufacture, promotion, marketing, sales and applications engineering of the Product, Materials, Knowhow and/or Process anywhere in the world and "NTI Affiliate" shall be construed accordingly.

#### **1.14 NTI Intellectual Property Rights**

The Knowhow, Materials, Process, NTI Trade Secrets, Product, Masterbatch and Trademark, collectively, as such currently exist and shall hereinafter be modified, developed and/or acquired by NTI.

#### **1.15 NTI Trade Secrets**

All information deemed and designated confidential, both in the Joint Venture Agreement and in the Ancillary Agreements and hereafter, including but not limited to information regarding the Product, Knowhow, Process, Materials, Masterbatch, technology, customers, research, techniques, processes, applications, formulae, cost data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, memoranda, diagrams, pictures, computer software and programs and records contained therein, sales information, financial information, costs, pricing data and profits, relating to the business of NTI, the Company and NTI Affiliates (as hereinafter defined) both in the Territory and elsewhere.

#### **1.16 Parties**

The Parties to the Joint Venture Agreement and/or the Ancillary Agreements, their successors and permitted assigns and "Party" shall be construed accordingly.

#### **1.17 Process**

The procedure utilizing the Knowhow for the manufacture of polyethylene materials with corrosion inhibiting properties derived from the Materials as developed and specified by NTI, together with any improvements and modifications of the corrosion inhibiting technology as it relates directly to the manufacture of corrosion inhibiting polyethylene materials, together with future technology, knowledge and product development which is useful in the manufacture of the Product.

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### **1.18 Product**

Corrosion inhibiting polyethylene film and solid material of polyethylene in the form of boxes, tubes and other containers manufactured by means of the Process, incorporating the Materials and utilizing the Trademark.

### **1.19 Territory**

The United Kingdom.

### **1.20 TP**

Taylor Packaging (Bishop Auckland) Limited, a company incorporated in England and Wales with registered number 01999397 whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co. Durham, DL16 6YJ.

### **1.21 Trademark**

The names and style "ZERUST", "THE ZERUST PEOPLE", and the colour yellow in relation thereto (which, in each case, are the subject of Community Trade Mark applications) which includes trade literature, technical specifications and application instructions, and promotional material pertaining thereto.

## **ARTICLE 2.**

### **2. RESPONSIBILITIES OF NTI WITH RESPECT TO PROVIDING TECHNICAL ASSISTANCE TO THE COMPANY**

#### **2.1 Technical Assistance**

NTI shall, at the Company's request, provide the Company with technical advice, applications engineering, support in manufacturing the Product, and assistance in responding to inquiries and problems of customers in the Territory.

#### **2.2 Development of New Applications**

NTI shall continue its efforts to expand the range of applications of the Product and shall make the results of all such efforts available to the Company.

#### **2.3 Assistance by NTI in the Manufacturing of the Product in the Territory**

NTI shall provide assistance and training as may reasonably be required by the Company to facilitate the manufacture of the Product in the Territory. This shall include training of the Company's Agents or Submanufacturers (as set forth in Article 5 hereof) at a location to be mutually determined.

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#### **2.4 Source of Materials**

The parties recognize that the Materials consist of a unique, proprietary and secret combination of chemicals which has been developed by NTI and which chemicals are prepared, mixed and combined prior to shipment in the form of Masterbatch; and that the Masterbatch is essential in order for the Process to work safely and effectively. Accordingly, in order to ensure proper quality control, NTI agrees to sell to the Company, at the Company's request, and the Company agrees to purchase from NTI, such Materials and/or Masterbatch as may be necessary to carry out the Company's Business. Alternatively, the Company may purchase Materials and/or Masterbatch from any other NTI Affiliate or external bona fide supplier, provided that NTI has approved the quality and reliability of such materials and such supplier.

2.4.1 Terms of Trade for Materials. Shipments of the Materials and/or Masterbatch by NTI to the Company and the terms of sale thereof will be pursuant to and in accordance with the Terms of Sale set forth in Schedule A hereto. The initial price schedule for the Materials and Masterbatch is also set forth in Schedule A. Materials and/or Masterbatch purchased from NTI shall be paid at the head office of NTI or at any other place designated by NTI in the currency invoiced within thirty (30) days following receipt by the Company of such Materials and/or Masterbatch at its principal place of business or at such other places in the Territory as shall be designated by the Company in the purchase order issued with respect thereto.

2.4.2 Material Safety Data Sheets. NTI shall provide the Company with Material Safety Data Sheets for all Materials and Masterbatch provided by NTI to the Company.

2.4.3 Product Liability Insurance. NTI warrants to the Company that NTI presently carries product liability insurance (as set out in Schedule B hereto). The product liability coverage under the Policy extends solely to the Materials and Masterbatch manufactured by NTI and provided by NTI to the Company. As of the Effective Date hereof, the pro rata charge to the Company by NTI for the Product Liability Insurance Coverage on the Materials and Masterbatch provided to the Company by NTI shall be incorporated within the compensation to be paid to NTI pursuant to Article 4.2 hereof for services, performed hereunder; any subsequent adjustment in the premium of the coverage for Product Liability Insurance may, however, necessitate a separate additional charge therefor to the Company by NTI in the future.

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#### **2.5 Availability of Laboratory Test Facilities**

NTI shall make its Laboratory Test Facilities reasonably available to the Company, without charge to the Company, for the purposes of analyzing the specific corrosion prevention requirements of customers and/or potential customers for the Product, which customers shall have been identified by the Company in the Territory, on a schedule to be mutually determined. In the course of the technical analysis and testing procedures conducted in the Laboratory Test Facilities of NTI, NTI shall use reasonable efforts to determine whether the NTI Intellectual Property Rights can be utilized effectively to meet, in whole or in part, the specific requirements for corrosion inhibiting technology posed by the customers or prospective customers for the applications specified. Various different Materials and Masterbatch formulations may be tested in this process. NTI shall inform the Company as to the results of the analysis performed and tests conducted in each such case as promptly as practicable. All of the concepts, analyses and results of such analyses and testing procedures shall be and remain the sole property of NTI, without any additional fee or cost to it, subject to the provisions of this

Agreement and the Licence Agreement in the event a Product is developed. Notwithstanding the foregoing, if greater demands on the Laboratory Test Facilities of NTI are posed by the Company than demands for such support posed by other NTI Affiliates of the same approximate size and scope, NTI may not be required to perform the requested services unless the Company agrees to the payment of a reasonable charge therefor.

### **ARTICLE 3.**

#### **3. RESPONSIBILITIES OF NTI WITH RESPECT TO PROVIDING MARKETING SUPPORT TO THE COMPANY**

##### **3.1 Marketing Support**

NTI shall, at the Company's request, provide the Company with assistance in marketing the Product in the Territory and in responding to inquiries and problems of customers.

##### **3.2 Improvements in Marketing**

NTI shall also continue its efforts to improve the marketing techniques and the customer base for the Product, and shall make any tangible results of all such efforts available to the Company.

##### **3.3 Sales Promotion**

NTI shall provide support and assistance in the sales promotion and advertising efforts of the Company. NTI shall provide text, photographs, artwork and mats NTI has developed for its own proprietary Sales Promotion Tools to the Company at cost; upon the Company's request.

##### **3.4 Participation in Trade Fairs**

At the Company's request, and upon mutual agreement as to timing, cost and scope, NTI shall provide support to the Company in preparing, designing and staffing the Company's booth at appropriate Trade Fairs to promote the Product in the Territory.

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##### **3.5 Customer Lists**

NTI shall identify international companies working in the Territory which have become users of the Product in the United States and in the respective territories of other NTI Affiliates, and provide such customer lists to the Company for use in the Territory.

##### **3.6 Joint Sales Calls**

Upon mutual agreement, proper advance planning and identification of suitable prospects, NTI management shall make sales calls in the Territory with the Company's sales staff to promote the Product.

### **ARTICLE 4.**

#### **4. PAYMENTS TO NTI FOR TECHNICAL ASSISTANCE AND MARKETING SUPPORT TO THE CORPORATION**

##### **4.1 Basis for Payments**

The Company shall make payments to NTI which are provided for in this Article 4 in consideration of the services performed by NTI as set forth in Articles 2 and 3 hereof. Such payments shall be made throughout the full term of this Technical Assistance and Marketing Support Agreement as compensation for the services set forth above and duly provided by NTI.

##### **4.2 Amount of Payments**

The Company shall pay to NTI an amount equal to seven and one-half percent (7.5%) of Net Sales from the Company's Business. Payments shall be paid in United States Dollars to an account or accounts as may be designated by NTI from time to time.

##### **4.3 When a Sale is Deemed to Occur**

A sale shall be deemed to have occurred when Product as been billed, (if applicable) and delivered to and paid for by a customer.

##### **4.4 Support Year**

The term "Support Year" shall mean any twelve (12) month period ending on August 31, except that the first Support Year shall commence on the Effective Date.

##### **4.5 Statements to NTI**

Within thirty (30) days after the last day of each quarterly period in each Support Year, the Company shall:

4.5.1 Prepare and deliver to NTI a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:

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4.5.1.1 The total amount of Net Sales (broken down in reasonable detail by individual products and customers and showing all costs and discounts leading to the establishment of the Net Sales figure for each customer); and

4.5.1.2 The total amount of the compensation on such Net Sales (computed as hereinbefore provided) payable hereunder to NTI for its services with respect to Technical Assistance and Marketing Support.

4.5.2 Pay to NTI the full amount of the royalties to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Article 4.5.1 hereof.

#### **4.6 Books and Records**

The Company covenants and agrees:

- 4.6.1 That it will keep complete and accurate records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable NTI or NTI's independent accountants to verify the completeness and accuracy for each item of information which the Company is required to set forth in each of the statements referred to in Article 4.5.1;
- 4.6.2 That it will keep all such records and books of account at its principal office and will preserve each such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and
- 4.6.3 That it will make such records, books of account, data and information available to NTI's representatives and to NTI's independent accountants and will give to such representative or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which the Company is required to set forth in each of the statements referred to in Article 4.5.1 hereof. In addition, NTI shall have the right to make copies of any of the foregoing. The Company's auditors shall in the ordinary course of business provide written confirmation and certification to NTI, at least annually, of the data to be supplied to NTI pursuant to Article 4.5.1 hereof. The cost of such reports shall be borne by the Company. In the event that NTI shall cause its representatives to confirm or verify the accuracy of the data supplied by the Company, then the costs and fees of such representatives shall be borne by NTI unless such representatives shall determine, to the satisfaction of the Company's auditors, that there is an understatement in the reporting of Net Sales of five (5%) or more, in which event the costs and fees of NTI's representatives and/or accountants shall be borne by the Company.

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### **ARTICLE 5.**

#### **5. PROTECTION OF NTI TRADE SECRETS**

##### **5.1 Recognition of NTI Trade Secrets**

The Company acknowledges and agrees that (i) NTI Intellectual property Rights; (ii) other information deemed confidential by NTI and designated herein and hereafter relating to the business of NTI, of the Company, and of NTI Affiliates, both in the Territory and elsewhere, including but not limited to applications of NTI Intellectual Property Rights, cost data and cost accounting, customer lists, competition, marketing strategy, supply relationships, memoranda, diagrams, pictures, computer software and programs as well as records contained therein, sales information, financial information, pricing data and margins are also included within the definition of NTI Trade Secrets set forth in Article 1.15 hereof and constitute valuable property rights of NTI and NTI Affiliates.

##### **5.2 Protection of NTI Trade Secrets**

The Company agrees that during the term of this Agreement, as well as following its termination and for all times thereafter, it shall keep secret and confidential all NTI Trade Secrets which it now knows or may hereafter come to know as a result of the Joint Venture Agreement and Ancillary Agreements. NTI Trade Secrets shall not be disclosed by the Company to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of the Company or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or other governmental body. If an NTI Trade Secret shall be in the public domain as the result of an act by the Company or any Agent (as hereinafter defined) thereof, then the Company shall nevertheless continue to keep such NTI Trade Secrets secret and inviolate.

##### **5.3 Protection of NTI Trade Secrets by Agents (as hereinafter defined) and Submanufacturers (as hereinafter defined) of the Company**

Neither the Company, nor its Agents (as hereinafter defined), nor its Submanufacturers (as hereinafter defined) shall at any time copy, remove from their proper location, or retain without NTI's prior written consent, the originals or copies of any NTI Trade Secrets or of any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or the Company. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their location; however, this shall be done subject to the requirement of this Article that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as NTI Trade Secrets be strictly maintained both as to original documents and copies thereof.

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5.3.1 Insofar as the officers, employees and consultants of the Company (herein collectively "Agents") who come in contact with NTI Trade Secrets are concerned, the Company shall cause such Agents to enter into NTI Trade Secrecy Agreements substantially in the form of Annex II to this Agreement. The Company shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements which efforts shall include the institution and prosecution of appropriate litigation if such be necessary and desirable.

5.3.1.1 To the extent that the Company provides Masterbatch to Submanufacturers. In requisite quantities to allow such Submanufacturers to manufacture the Product in the Territory in such volumes and forms as may be required for the Company's Business ("Submanufacturers"), it is understood that the Company may find it necessary to disclose certain NTI Trade Secrets to such Submanufacturers.

5.3.1.2 NTI Trade Secrets shall be disclosed only to such Submanufacturers who have been specifically approved in writing by NTI and who have entered into Trade Secrecy Agreements with the Company in a form approved by NTI, but substantially in the

form of the Trade Secrecy Agreement set forth in Annex II hereof

5.3.1.3 Moreover, only those NTI Trade Secrets which are absolutely essential for the manufacturing activities to be carried on by such Submanufacturers shall be disclosed to them.

5.3.2 The Company shall not transfer ownership, by sale or any other means, of Materials or Masterbatch to any Submanufacturers but rather shall provide Masterbatch to Submanufacturers without charge for the sole purpose of allowing such Submanufacturers to manufacture the Product, incorporating Masterbatch, for the account of the Company. Upon completion of any order for the Product by a Submanufacturer, the Company shall pay such Submanufacturer for its services and the raw materials provided by the Submanufacturer and so take title to the Product, and shall require the return of any Masterbatch not utilized in the Process.

5.3.3 The Parties hereby agree and acknowledge that NTI is an intended third party beneficiary of the Trade Secrecy Agreements, and that NTI may in its sole discretion, on its own behalf or derivatively and/or on behalf of the Company directly enforce the provisions of the Trade Secrecy Agreements and/or any breach thereof against any and all Agents (as defined in Article 5.3.1 hereof) and/or Submanufacturers (as defined in Article 5.3.1.1 hereof) who have executed same.

#### **5.4 Remedies in the Event of a Violation of Article 5 hereof**

It is understood and recognized by the Company that in the event of any violation by the Company of the provisions of Article 5 hereof, NTI's remedy at law will be inadequate and NTI will suffer irreparable injury. Accordingly, the Company consents to injunctive and other appropriate equitable relief in any court of competent jurisdiction in order to protect the NTI Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity.

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### **ARTICLE 6.**

#### **6. COVENANT TO OBSERVE THE DOCTRINE OF "CORPORATE OPPORTUNITY"**

##### **6.1 Doctrine of Corporate Opportunity and Observance Thereof**

It is the intent of the Parties to this Agreement, the Joint Venture Agreement and to the other Ancillary Agreements to deal exclusively with each other with respect to the commercial, technical and strategic development of the Company's Business in the Territory. Consequently, the Parties to each agreement cited above hereby renounce and covenant not to engage in any activity which would either (a) negatively impact on the performance of their duties under the Joint Venture Agreement or the Ancillary Agreements in the Territory, or (b) have the effect of displacing or substituting the Knowhow, Materials, Process, Product or Masterbatch in the Territory; except as agreed to by the Parties in furtherance of the Company's Business.

##### **6.2 Agreement Not to Divert Resources**

The Company and NTI agree that during the term of this Agreement they shall not, directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, a business which would impede, substitute, displace or divert Net Sales of the Product from the Company within the Territory except through the Company in furtherance of the Company's Business. During said term neither of such Parties shall in any way, directly or indirectly, divert, take away or interfere with or attempt to divert, take away or interfere with, any of the customers, accounts, suppliers, employees, representatives or patronage of the Company. In the event that this Agreement is terminated: (i) because of a material Breach of the Joint Venture Agreement by a Party; or (ii) because of a material Breach of any Ancillary Agreement by a Party; (iii) upon the bankruptcy or other adverse condition of a Party as described in Article 7 hereof; (iv) pursuant to Article 8 hereof; (v) or upon a Breach of Articles 5 or 6 hereof, then the Party in Breach or subject to such adverse condition shall continue to be bound by the provisions of this Article 6 for a period of two years following the date of termination, but shall at no time be permitted to use NTI Trade Secrets, as the case may be, for any activity outside the Company.

##### **6.3 Remedies for Breach of Agreement Not to Divert Resources**

It is understood and recognized by the Parties that in the event of a violation of the provisions of Article 6 hereof by a Party, the remedy at law will be inadequate and the Company and the other Parties to the Joint Venture and the Ancillary Agreements shall suffer irreparable injury. Accordingly, each Party to this Agreement consents to injunctive or other appropriate equitable relief upon the institution of legal proceedings therefor by a non-violating Party. Such relief shall be in addition to any other relief to which a Party may be entitled at law in equity, which shall include but not be limited to the right of immediate termination of this Agreement.

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### **ARTICLE 7.**

#### **7. TERM OF AGREEMENT**

##### **7.1 Indefinite Term**

This Agreement shall become effective on the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect indefinitely unless:

7.1.1 terminated by either Party in accordance with the provisions of Articles 13, 14 and/or 15 hereof;

7.1.2 terminated by either Party by reason of a Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 18 hereof; or

7.1.3 any of the Ancillary Agreements or the Joint Venture Agreement shall be terminated by a Party in accordance with its terms. In such event this Agreement shall likewise terminate on the same date, without any further act or notice given by a Party hereto.

##### **7.2 Payment of Amounts Due**

In the event of termination, each Party shall pay to each other Party all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

### **7.3 Non-Release of Obligations**

The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. As provided in Article 5 hereof, upon termination of this Agreement NTI Trade Secrets shall continue to be kept secret and confidential.

## **ARTICLE 8.**

### **8. DEFAULT**

#### **8.1 Default**

A Default ("Default") hereunder shall exist in the event of:

8.1.1 Non-payment of funds by one Party to another Party when due and owing; and/or

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8.1.2 A material breach ("Breach") of any provision of the Joint Venture Agreement or the Ancillary Agreements other than Articles 5 or 6 hereof;

8.1.3 A breach of Articles 5 or 6 hereof.

#### **8.2 Remedies upon Default**

The remedies available to each Party in an instance of Default by another Party shall be as follows:

8.2.1 If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement or any of the Ancillary Agreements to be performed, observed or complied with by it, then the other Party shall have the right to declare a Default and terminate this Agreement unless the Party in Default shall cure such failure to pay, and/or Breach or Default, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party) provided, however, that if the Party in such Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in such Breach proceeds to cure such Default with due diligence. A Party's right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party's Breach or Default. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

8.2.2 Notwithstanding the forgoing, in the event of a violation of Articles 5 or 6 hereof by a Party hereto, each other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the other Parties as provided herein.

#### **8.3 Non-Waiver of Rights**

A Party's failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Article 8.1 or 8.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Article 8.2 hereof), or on account of any subsequent Breach or Default by a Party.

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## **ARTICLE 9.**

### **9. ARBITRATION**

#### **9.1 Arbitration Mandatory**

Any of the following disputes which may arise between the Parties during the term of this Agreement, after the termination thereof, or following the liquidation or dissolution of the Company, upon failure by the Parties to amicably resolve same after mutual good faith negotiations, shall be exclusively settled by arbitration:

9.1.1 a dispute as to whether a Default exists;

9.1.2 a dispute as to whether a Default entitles the non-defaulting Party to terminate this Agreement;

9.1.3 a dispute as to the validity of this Article 9;

9.1.4 a dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein;

9.1.5 a dispute as to the rights, obligations or liabilities of the Parties hereunder.

Such arbitration proceedings shall be conducted in English and shall be carried on in the City of Brussels or any other place mutually agreeable to the Parties, under the UNCITRAL Arbitration Rules. In such proceedings, the laws of England shall apply. Judgment upon the award rendered by the arbitrator, including an award concerning the payment of costs, attorneys' fees, and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction. Notwithstanding anything to the contrary set forth in this Agreement, no matter shall be referred to or settled by Arbitration which is:

- (a) based upon a Party's violation of the provisions of this Agreement relating to NTI Trade Secrets or Corporate Opportunity, the remedies for which are set forth in Articles 5 and 6 hereof.
- (b) expressed in this Agreement to be agreed upon by or determined with the consent or approval of both Parties.

## 9.2 Punitive Damages Excluded

Notwithstanding the foregoing, the prevailing Party in an arbitration proceeding convened hereunder shall be entitled to recover all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including but not limited to legal fees and travel expenses, but shall not be entitled to exemplary or punitive damages.

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## ARTICLE 10

### 10. GENERAL PROVISIONS

#### 10.1 Benefit of Parties

All of the terms and provisions of this Agreement, and of the Joint Venture Agreement and of the other Ancillary Agreements shall be binding upon the Parties executing same and their respective permitted successors and assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the written consent of the other Party; provided, however, that a Party may assign this Agreement and all of its rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of its obligations hereunder by, a Party which controls, is controlled by or is under common control with such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released of its liabilities, obligations and responsibility hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

#### 10.2 Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

#### 10.3 Cooperation

During the term of this Agreement, each Party shall cooperate with and assist the other Party in taking such acts as may be appropriate to enable all Parties to effect compliance with the terms of the Joint Venture Agreement and the Ancillary Agreements and to carry out the true intent and purpose thereof.

#### 10.4 Index and Captions

The captions of the Articles of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof shall be incorporated herein as written and made a part hereof.

#### 10.5 Waiver of Compliance

The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any Breach or Defaults hereunder; provided, however, that such waiver shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, Breach or Default hereunder.

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#### 10.6 Force Majeure

In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lockouts, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then either Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Party, provided that the force majeure event continues to be in effect as of the date that such notice is given.

#### 10.7 Notices

All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral, commercial courier service such as Federal Express, DHL or equivalent, as follows:

If to NTI, to:

Northern Technologies International Corporation  
6680 North Highway 49  
Lino Lakes, MN 55014  
Attention: President  
Tel: 612-784-1250  
Fax: 612-784-2902

Copy to:

Philip M. Lynch  
One Commerce Park Square

23200 Chagrin Blvd., Suite 107  
Beachwood, OH 44122  
Tel: 216-595-1740  
Fax: 216-595-1741

If to the Company: Zerust (UK) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Attention: Company Secretary  
Tel: 01388 420 555  
Fax: 01388 420 777

Copy to: Taylor Packaging (Bishop Auckland) Limited  
Meadowfield Avenue  
Green Lane Industrial Estate  
Spennymoor  
Co. Durham  
DL16 6YJ  
Tel: 01388 420 555  
Fax: 01388 420 777

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or to such other address as may be specified in writing by any of the above.

#### **10.8 Entire Agreement**

This Technical Assistance and Marketing Support Agreement, together with the Joint Venture Agreement and the other Ancillary Agreements and any other documents now or subsequently referred to herein or attached hereto which form a part of this Agreement, contain the entire understanding of the parties hereto. There are no prior representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, the Joint Venture Agreement and the other Ancillary Agreements, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement.

#### **10.9 Validity of Provisions**

Should any part of this Agreement, the Joint Venture Agreement, or the other Ancillary Agreements be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portion, which remaining portion shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portion without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement, the Joint Venture Agreement, or any other Ancillary Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

#### **10.10 Governmental Filings**

The Company shall be responsible for the preparation and filing of all necessary reports relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. NTI shall provide whatever material and information required of and available to it in connection with the preparation and filing of such reports.

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#### **10.11 Payments**

Any payment to be made by the Company to NTI pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by NTI. NTI shall have the right to specify in writing any bank account to which payments due shall be made.

#### **10.12 Derivative Enforcement**

TP may, derivatively for and on behalf of the Company, enforce the terms hereof against NTI in the event of a material Breach or Default of this Agreement by NTI. In the event of derivative enforcement hereunder, the matter shall be submitted to arbitration in accordance with the provisions of Article 9 hereof.

#### **10.13 Changes Subject to Approval of**

The parties to this Agreement shall not change, modify or amend this Agreement in any respect without the prior written consent of TP.

#### **10.14 Applicable Law**

This Agreement shall be read and construed in accordance with and be governed by the laws of England.

#### **10.15 RTPA**

No provision of this Agreement, or of any arrangement of which it forms part, by virtue of which such agreement or arrangement is subject to registration under the Restrictive Trade Practices Act 1976, shall take effect until the day after particulars of such agreement or arrangement have been furnished to

the Director General of Fair Trading pursuant to that Act. Particulars shall, if necessary, be furnished to the Director General of Fair Trading within three months of the date of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION

By \_\_\_\_\_

ZERUST (UK) LIMITED

By \_\_\_\_\_

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ANNEX I

**APPROVAL OF TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**

By its signature hereto Taylor Packaging (Bishop Auckland) Limited approves and agrees to the terms and provisions of this License Agreement and the Trade Secrecy Agreement attached hereto, and agrees to be bound thereto to the extent that such terms and provisions are applicable to it, it being understood that Taylor Packaging (Bishop Auckland) Limited shall also have a direct right of action in its own name for the enforcement of the provisions of this Agreement.

TAYLOR PACKAGING (BISHOP  
AUCKLAND) LIMITED

By \_\_\_\_\_

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**SCHEDULE A**

**MASTERBATCH PRICING & TERMS OF TRADE**

as of 20 November, 1996

<u>Masterbatch</u>	<u>Color</u>	<u>Protection</u>	<u>J. V. Price</u>
PAY4733	Yellow	Ferrous Metals	US\$7.06/lb
CLR 10227	Clear	Ferrous Metals	US\$7.06/lb
MM61453	Clear	Multimetal (w/o Sodium Nitrite)	US\$11.06/lb
MM62321	Clear	Multimetal (low odor)	US\$11.06/lb
NFC60222	Clear	Nonferrous Metals	US\$11.06/lb

Masterbatches are packaged in 40 lb bags.

Trade terms are net 30 days.

Notice of changes contemplated by NTI for masterbatch prices will be sent to all joint ventures prior to effecting the change.

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**SCHEDULE B**

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**FOREIGN LIABILITY POLICY**

General Liability and Automobile Coverage Section

Insurance Company:

CIGNA

Policy Number:

PHF018946

Policy Period: 4/23/96 - 4/23/97

Named Insured: Northern Technologies  
International Corporation  
Northern Instruments Corporation  
Micro Sensors, Inc.  
Special Control Systems, Inc.

Liability Limits:

Each Occurrence:	\$ 3,000,000
Products/Completed Operations:	\$ 3,000,000
Personal Injury & Advertising:	\$ 3,000,000
Fire Legal Liability:	\$ 3,000,000
Contingent Automobile:	\$ 3,000,000
Employee Benefits - Each claim	\$ 3,000,000
Annual Aggregate	\$ 3,000,000
Minimum Premium (Flat):	\$ 6,350

This policy providing foreign liability coverage anywhere in the world excluding the United States, Canada, Puerto Rico, Cuba, Kampuchea, North Korea, Vietnam, Libya, and Iran. Your activities taking place in international waters or airspace are covered except those occurring between two destinations of the United States, its territories, Canada or Puerto Rico. Should a claim take place in jurisdictions overseas where the foreign law prohibits CIGNA from defending or paying a claim on behalf of Northern Technologies International Corporation, CIGNA will reimburse Northern Technologies International Corporation for those claims and expenses you are required to pay, including the cost of your defense.

This policy provides protection for Northern Technologies International Corporation, Northern Instruments Corporation, Micro Sensors, Inc. and Special Control Systems, Inc. as entities and also for the interest the Corporations may have in any joint ventures if damages arise out of the operations of those joint ventures. The purpose is not to protect the joint venture itself, but to protect the interest of Northern Technologies International Corporation, Northern Instruments, Inc., Micro Sensors, Inc. and Special Control Systems, Inc. solely. Coverage is limited to the percentage of interest that you have in the Joint Venture.

The Automobile section of this policy provides Automobile Liability coverage for owned, leased, hired or borrowed vehicles you may operate in a foreign country. It should be noted there is no Automobile Physical Damage coverage on this policy. If you rent vehicles in foreign countries, we need to address the Physical Damage coverage.

The policy is primary coverage where no primary policy exists in a foreign country. The policy is excess and contingent coverage over any local foreign insurance. All claims paid by this policy will be paid in U.S. dollars. In countries where this would not be acceptable the current dollar rate of exchange will prevail as of the date of loss.

The policy is written on a flat charge basis. This means the policy is not subject to audit. The premium is also the minimum premium, so if the policy is canceled prior to expiration, there would be no return premium.

ANNEX II

TRADE SECRECY AGREEMENT

THIS AGREEMENT, dated this [ ] day of [ ]

**BETWEEN:**

- (1) **ZERUST (UK) LIMITED** a company incorporated under the laws of England and Wales with number 3248266 and whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham. DL16 6YT (lithe Company”);
- (2) [ ] (“the Agent”); and
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware, USA (“NTI”) the principal place of business of which is Lino Lakes, Minnesota, USA.

WHEREAS, the Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information;

WHEREAS, the Company receives Technical Assistance and Marketing Support from Northern Technologies International Company (“NTI”) for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilizing the trademark “ZERUST” in the Territory (the “Product”); and

WHEREAS, the Company and NTI have expended and will continue to expend substantial sums of money to train the Agent in the Company’s business including but not limited to marketing the Product, and without which expenditures the Agent would have no such training in the Company’s business and marketing the Product; and

WHEREAS, the Company and NTI have imparted and will continue to impart to the Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of the Company and NTI;

NOW THEREFORE, in consideration of the employment of the Agent by the Company, the special training with respect to the Company’s business and the Product to be provided to him, and the salary to be paid to the Agent by the Company during the term of his employment, it is agreed as follows:

1. The Agent agrees that during his employment by the Company and for so long thereafter as the same has not (other than a result of disclosure by the Company) entered the public domain, he will not, without the prior written consent of the Company and NTI, (i) use outside of the service of the Company or (ii) disclose or divulge to anyone other than persons designated by the Company, any of the following:

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- a. any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to, process, techniques, research, methods technology, equipment, formulae, pricing, cost  
  
data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of the Company or NTI, knowledge of which is acquired by the Agent during the term of his employment by the Company (collectively, "Trade Secrets").
  - b. any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively "Internal Data").
2. The Agent shall at no time copy, remove from their proper location, or retain without the Company's prior written consent, the originals or copies of such Trade Secrets or Internal Data.
  3. The Agent shall not, for a period of three (3) years subsequent to the termination of his employment with the Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with the Company in the marketing, sale of manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of the Company, if such employment would in its inherent nature require the Agent to utilize any of the Trade Secrets, Internal Data or portions thereof.
  4. The Agent and the Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of the Company, if NTI, in its sole judgement, chooses to do so, and may proceed directly against the Agent for any breach of the Agent's obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as agreed on the day and year first above written.

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**ANNEX 5**

**TRADE SECRECY AGREEMENT**

**THIS AGREEMENT**, dated this [ ] day of [ ], [ ]

**BETWEEN:**

- (1) **ZERUST (UK) LIMITED**, whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham, DL166YJ (Company"); and
- (2) [ ] ("Agent").
- (3) **NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**, a company organised under the laws of the State of Delaware USA ("NTI") the principal place of business of which is Lino Lakes, Minnesota, USA.

**WHEREAS**, Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilizes secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information; and

**WHEREAS**, Company receives Technical Assistance and Marketing Support from NTI for the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilising the trademark "ZERUST" in the United Kingdom ("the Territory") (the "Product"); and

**WHEREAS**, Company and NTI have expended and will continue to expend substantial sums of money to train Agent in the Company's business including but not limited to marketing the Product, and without which expenditures Agent would have no such training in the Company's business and marketing the Product; and

**WHEREAS**, Company and NTI have imparted and will continue to impart to Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of Company and NTI.

**NOW THEREFORE**, in consideration of the employment of Agent by Company, the special training with respect to the Company's business and the Product to be provided to him, and the remuneration to be paid to Agent by Company during the term of his employment, it is agreed as follows:

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1. Agent agrees that during his employment by Company and for so long thereafter as the same has not (other than a result of disclosure by Company) entered the public domain, he will not, without the prior written consent of Company and NTI, (i) use outside of the service of Company or (ii) disclose or divulge to anyone other than persons designated by Company, any of the following:

- (a) any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of NTI including, but not limited to,

process, techniques, research, methods, technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of Company or NTI, knowledge of which is acquired by Agent during the term of his employment by the Company (collectively, "Trade Secrets").

- (b) any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of NTI or (collectively "Internal Data").
2. Agent shall at no time copy, remove from their proper location, or retain without Company's prior written consent, the originals or copies of such Trade Secrets or Internal Data.
3. Agent shall not, for a period of three (3) years subsequent to the termination of his employment with Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with Company in the marketing, sale or manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of Company, if such employment would in its inherent nature require Agent to utilise any of the Trade Secrets, Internal Data or portions thereof.
4. Agent and Company hereby agree and acknowledge that NTI is an intended beneficiary of this Trade Secrecy Agreement and that NTI shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of Company, if NTI, in its sole judgment, chooses to do so, and may proceed directly against Agent for any breach of Agent's obligations hereunder to the full extent of the law.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

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**ANNEX 6**

**TRADE SECRECY AGREEMENT**

THIS AGREEMENT, dated this [ ] day of [ ], [ ]

**BETWEEN:**

- (1) **ZERUST (UK) LIMITED**, whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham, DL166YJ (Company"); and
- (2) [ ] ("Agent").
- (3) **TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED**, whose registered office is at Meadowfield Avenue, Green Lane Industrial Estate, Spennymoor, Co Durham DL16 6YJ.

**WHEREAS**, Company is engaged in the development, manufacture, and sale of various products and services and in research work and, in such activities, utilises secret and confidential techniques, methods, processes, equipment, formulae, customer lists and information; and

**WHEREAS**, Company receives Management and Sales Representation from TP in connection with the Promotion, Sale and Application of polyethylene film and solid material of polyethylene substance in the form of boxes, tubes and other containers utilising the trademark "ZERUST" in the United Kingdom ("the Territory") (the "Product"); and

**WHEREAS**, Company and TP have expended and will continue to expend substantial sums of money to train Agent in the Company's business including but not limited to marketing the Product, and without which expenditures Agent would have no such training in the Company's business and marketing the Product; and

**WHEREAS**, Company and TP have imparted and will continue to impart to Agent in the course of his employment and training information pertaining to the Product, certain processes, technical knowhow, marketing and sales techniques, customer identities and other confidential information not now known to the general public, which knowhow and information constitute valuable, proprietary and confidential trade secrets of Company and TP.

**NOW THEREFORE**, in consideration of the employment of Agent by Company, the special training with respect to the Company's business and the Product to be provided to him, and the remuneration to be paid to Agent by Company during the term of his employment, it is agreed as follows:

1. Agent agrees that during his employment by Company and for so long thereafter as the same has not (other than a result of disclosure by Company) entered the public domain, he will not, without the prior written consent of Company and TP, (i) use outside of the service of Company or (ii) disclose or divulge to anyone other than persons designated by Company, any of the following:

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- (a) any knowledge or information of a confidential nature acquired by him with respect to the trade secrets of TP including, but not limited to, process, techniques, research, methods, technology, equipment, formulae, pricing, cost data, technical knowhow, memoranda, marketing/sales strategy, promotion, suppliers and customers which he now knows or other confidential information of Company or TP, knowledge of which is acquired by Agent during the term of his employment by Agent (collectively, "Trade Secrets").
- (b) any of the unpublished records, books of account, documents, letters, diagrams, computer disks, papers or memoranda of TP or (collectively

“Internal Data”).

2. Agent shall at no time copy, remove from their proper location, or retain without Company’s prior written consent, the originals or copies of such Trade Secrets or Internal Data.
3. Agent shall not, for a period of three (3) years subsequent to the termination of his employment with Company for any reason, compete, directly or indirectly (whether as an employee, partner, investor, shareholder or director), or accept any employment with any person or company competing with Company in the marketing, sale or manufacturing of the Product or products similar thereto in any place in the Territory which are competitive in nature to the business of Company, if such employment would in its inherent nature require Agent to utilise any of the Trade Secrets, Internal Data or portions thereof.
4. Agent and Company hereby agree and acknowledge that TP is an intended beneficiary of this Trade Secrecy Agreement and. that TP shall have the incontrovertible right to enforce this Trade Secrecy Agreement independently of Company, if TP, in its sole judgment, chooses to do so, and may proceed directly against Agent for any breach of Agent’s obligations hereunder to the full extent of the law.

**IN WITNESS WHEREOF**, the parties hereto have executed and delivered this Agreement as a Deed on the day and year first above written.

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**ANNEX 7**

**DEED OF ADHERENCE**

**THIS DEED OF ADHERENCE** is made the [ ] day of [ ] 19[ ] by [ ] of [ ] (hereinafter called “the Covenantor”)

**SUPPLEMENTAL** to a joint venture agreement dated the [ ] 1996 and made between (1) TAYLOR PACKAGING (BISHOP AUCKLAND) LIMITED and (2) NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION (“the JV Agreement”)

**WITNESSES** as follows:

1. The Covenantor hereby confirms that [he] [it] has been supplied with a copy of the JV Agreement and hereby covenants with each of the other parties to the JV Agreement from time to time to observe perform and be bound by all the terms of the JV Agreement which are capable of applying to the Covenantor and which have not been performed at the date hereof to the intent and effect that the Covenantor shall be deemed with effect from the date on which the Covenantor is registered as a member of the Company to be a party to the JV Agreement and to be a Shareholder and a Party (as defined in the JV Agreement).
2. This Deed shall be governed by and construed in accordance with the laws of England.

**EXECUTED** as a deed the day and year first before written.

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MANUFACTURERS' REPRESENTATIVE  
AGREEMENT

THIS AGREEMENT, dated as of October 1, 1976, is between NORTHERN INSTRUMENTS CORPORATION, a Minnesota corporation with its principal place of business at 6680 North Highway 49, Lino Lakes, Minnesota 55014 (hereinafter referred to as the "Company"), and THE SAXXON ORGANIZATION INCORPORATED, located at c/o Schupak, Rosenfeld & Fischbein, 555 Madison Avenue, New York, New York 10022 (hereinafter referred to as the "Representative").

W I T N E S S E T H:

WHEREAS, the Company is engaged in the business of manufacturing and selling an oil quality analyzer, certain corrosion-inhibiting goods and other goods and desires to enlist a Representative in the furtherance of its interests; and

WHEREAS, said Representative will act as an independent Manufacturers' Representative for its own account, and wishes to render the services set forth below,

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and the compensation hereinafter provided for, it is covenanted and mutually agreed as follows:

I. DESIGNATION OF REPRESENTATIVE

The Company hereby enlists and designates Representative, an independent contractor, as a Manufacturers' Representative on matters relating to the sale of goods and services of the Company under the following terms and conditions. Representative hereby agrees to, and by these presents does accept, such designation and enlistment.

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II. RELATIONSHIP BETWEEN COMPANY AND REPRESENTATIVE

A. This designation and enlistment is not to be construed to prohibit the Representative from being similarly designated or employed by other persons, firms or corporations in noncompetitive product lines, but shall be construed to prohibit the Representative from being so designated or employed by other persons, firms or corporations in competitive product lines.

B. The Representative is considered to be an independent agent, and not an employee of the Company. The Company is not and cannot be held liable for any acts or liabilities of the Representative not set forth in this Agreement or for any legal actions instituted against the Representative. The Representative shall indemnify the Company and hold it harmless against all claims or demands brought by customers or other third parties which arise from acts, representations, or omissions, or alleged acts, representations, or omissions of Representative, which if proved, would constitute a breach of Representative's duties under this Agreement. Representative shall be given notice of same and shall have right to defend all charges, actions, etc. with counsel of its choosing.

C. The Representative shall have a non-exclusive worldwide right to offer for sale and solicit orders for all of the Company's products, subject to Article VII of this Agreement.

D. This Agreement is not transferable to successors or assigns of Representative.

III. CONTRACTING AUTHORITY OF REPRESENTATIVE AND CONTRACT RESPONSIBILITY OF COMPANY

A. Nothing in this Agreement shall be construed as giving the Representative authority to bind or obligate the Company to any parties or persons not covered by this Agreement, in any manner whatsoever.

B. The establishment of prices for its products and services shall be solely the responsibility of the Company, and the Representative shall follow the Company's directives regarding pricing, with the Company hereby reserving the right to change all prices when and how it sees fit, upon thirty (30) days prior written notice.

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C. Representative is not authorized to submit in Representative's name written proposals and quotations purporting to be binding on the Company. The Company will be bound only by proposals and quotations made and signed by authorized personnel at the Company's Home Office; said proposals and quotations may be transmitted by Representative under Representative's letter referring to the Company's proposal and quotation.

D. Each order secured by Representative shall be in the name of the Company, and not in the name of the Representative, and shall indicate that it is subject to final acceptance by the Company. Only the Company, by an authorized person at its Home Office, shall have power to accept and execute orders and contracts.

E. The Company shall assume all liabilities for the performance of contracts executed by it, including warranty liabilities, except to the extent otherwise herein explicitly provided.

F. The Company shall hold harmless and indemnify Saxxon, its officers, directors, shareholders and contractors from any losses, claims or liabilities, jointly or severally, to which they or any of them may become subject and to reimburse each such person for any legal or other expenses reasonably incurred by it or them in connection with defending any action, insofar as such losses, claims, damages, liabilities or action arise because of personal injuries or physical property damage proximately caused by the product, and insofar as the same are based on a theory of products liability as against Company, provided that said injury or damages did not result from any misrepresentations or misstatements of any director, officer, employee, agent or other representative of Saxxon or which contradicted information contained in literature, data, advertising materials or other materials furnished by the Company to Representative. The Company shall be given prompt notice in writing of any such claims and such authority, information and assistance (at Company's expense) as may be necessary to resist or defend the same. The Company represents that in the reasonable opinion of its officers, it carries adequate insurance to cover its products liability and shall continue to do so.

G. The Company shall defend any suit or proceeding brought against Representative so far as based upon a claim that goods supplied by the Company to its customers hereunder constitutes an infringement of any patent, if notified promptly in writing and given authority, information and assistance (at Company's expense) for the defense of such a suit or proceeding, and will pay all damages and costs awarded therein against customer, provided that the application or use of such goods is free of Representative's own design.

H. Invoicing, collections of payments due, and credit determinations shall be made only by the Company at its Home Office, and not by the Representative.

I. The Company reserves the right to modify, alter, improve, change or discontinue any or all of its products at any time, and will give timely notice thereof to Representative.

#### IV. REPRESENTATIVE'S COMPENSATION

A. The Company agrees to pay the Representative for services rendered according to the commission schedule set forth in Attachment A hereto. The Company shall not be obligated to compensate the Representative for time, services and/or expenses connected with efforts to effect sales, except to pay commissions in the manner set forth herein upon sales actually made for and in the designated territory as a result of the Representative's efforts.

B. If the contract or order is cancelled or reduced by the customer prior to delivery, acceptance or payment for the goods under the order, the commissions paid or due by the Company to the Representative under Attachment B hereto shall be proportionately reduced, and the Representative shall owe to the Company the balance (if any) of excess commissions already paid under such order.

#### V. DUTIES AND RESPONSIBILITIES OF REPRESENTATIVE

A. Representative shall be free, except as agreed herein, to conduct its business as it sees fit.

B. Representative shall devote such time to rendering the services set forth herein as necessary to the adequate representation of the Company in the fulfillment of this Agreement, and shall maintain suitable quarters to conduct its business, paying all expenses commensurate therewith.

C. In sales and service, Representative shall use its best efforts to:

1. Promote sales of the products and/or services set forth herein in the territory, accounts and/or market areas under its jurisdiction.
2. Increase the Company's revenue from sales; canvass and develop his assigned territory to maximize sale of the Company's assigned products and services.
3. Investigate procurement needs for goods and services, study and analyze current engineering problems, endeavor to anticipate and promptly advise the Company of requirements for new mechanisms and applications thereof.
4. Assist in preparing proposals to customers, negotiating contracts, expediting execution and performance of contractual instruments, and render assistance to the Government or commercial concerns to promote the sales of the Company.
5. Receive written and dated order commitments from prospective customers and present customers, subject to acceptance and execution by the Company at its Home Office only, the order to describe the kind, quantity, price, delivery date, shipping instruments and service to be provided by the Company.

6. Follow up proposals and quotations at frequent intervals, and promptly submit customer contact reports on same, critically analyzing the requirements for closing the order, and competitive aspects.

7. Distribute to prospective customers appropriate corporate and product brochures, manuals and other promotional material, and up-to-date pricing information.

8. While the Company agrees to have prime responsibility with respect to all post order "contractual" and "technical" matters, Representative agrees to assist the Company with respect to such matters.

D. In communications, Representative shall:

1. On forms supplied by the Company, or by other written media, make customer contact reports promptly on all pertinent sales calls and contacts with customers and prospective customers in its territory; make appropriate recommendations regarding the things that must be done in the opinion of the Representative to satisfy customer requirements. These reports will be used by the Company for marketing information as one means by which the Representative's performance will be evaluated. Failure to submit reports shall be cause for review and/or termination of this Agreement at the option of the Company after notice to Representative.
2. Keep the Company apprised of sales efforts with regard to specified customers so that major emphasis and assistance by the Company can be placed where needed.

3. Collect and promptly transmit to the Company technical and other data which will assist in proposal preparation, negotiations and expedition of the execution and performance of contractual instruments.

E. Other Responsibilities of Representative:

1. The Representative shall make all oral and written representations relative to the Company and its product and service offerings in a strictly factual manner and conduct all business representations pertinent to the Company in conformance with the highest business ethics.
2. The Representative shall convey a good "corporate image" as the Company's Representative to prospective customers and to the public.
3. The Representative shall make sales calls emphasizing the establishment of new accounts for the Company, at the same time adequately maintaining relationships with and servicing established accounts.
4. The Representative shall furnish the Company within thirty (30) days after the effective date of this Agreement a list of other manufacturers that he represents, the addresses of their principal offices, the products of these manufacturers that he is authorized to offer for sale, and shall notify the Company of any changes that occur in this list within thirty (30) days after such a change occurs.
5. **[The Representative shall maintain and staff an office during normal business hours.] [This is deleted].**

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6. The Representative shall maintain as confidential all customer lists, price lists and all other information deemed confidential by the Company and so marked by the Company.

#### VI. SUPPLIES AND EXPENSES

A. The Company agrees to supply the Representative with sufficient quantities of product samples, sales literature, warranties, and instruction booklets. The Representative shall pay all its expenses, including out-of-pocket costs, travel expenses, phone expenses and similar expenses of the Representative or any employee of the Representative. Letterheads and calling cards shall be supplied by Representative according to his needs, and shall conspicuously show that he is an independent Manufacturers' Representative; the Company's name may be indicated as the company which he is representing in this capacity.

B. Routine communications by mail are preferred by the Company as providing written records and being less costly.

#### VII. AGREEMENTS WITH OTHER PARTIES

Representative acknowledges that it has been fully informed of the terms of certain other marketing/distributorship agreements to which the Company is a party and agrees with respect to such agreements as follows:

A. Singer Products Company, Incorporated ("Singer"). Singer has two exclusive marketing/distributorship agreements applicable to international marketing of (1) Cornox, having a duration of two years from May 8, 1975, and (2) other products of the Company, having a duration of three years from May 8, 1975. Any international sales proposed prior to expiration of the above two agreements with Singer, respectively, which are developed by Representative, shall be presented to Company for review and comments. Within the times covered by the Singer agreements, respectively, all new international activities proposed by Representative shall be conducted only with prior written approval by the Company. Any potential sales or proposals will be presented to the Company for prior submission to Singer on a case by case basis.

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B. Hoffman Engineering Company ("Hoffman"). Hoffman has an exclusive distributorship agreement applicable to the continental U.S., Alaska, Hawaii and Canada, relating to NIC-1, NIC-2 and NIC-3 in the Industrial Electric Market, as defined. Any sales proposed prior to expiration of the above agreement with Hoffman, which are developed by Representative, shall be presented to the Company for review and comments. Within the time covered by the Hoffman agreement, all new activities proposed by Representative shall be conducted only with prior written approval by the Company.

C. Others. Representative acknowledges that other industry distributorship agreements similar to that with Hoffman may from time to time be made by the Company, with which agreements the Representative agrees to abide. Company shall advise Representative in writing of all such agreements and explain terms thereof, if so requested, to the Representative.

#### VIII. MANAGEMENT CONSULTING SERVICES

Upon the request of the Company, the Representative agrees to render management consulting services to the Company on a project-oriented basis at fees and upon such other terms as shall be negotiated between the parties. It is the parties' intent that such services may cover such projects as (1) employee recruitment, (2) equity financing, (3) banking relations, (4) product licensing and (5) product joint venturing.

#### IX. TERMINATION OF AGREEMENT

A. Unless earlier terminated as provided herein, this Agreement shall continue in full force and effect from its effective date as described in Paragraph VII hereof to and through September 30, 1977, and shall continue thereafter until either party shall give the other party written notice that this Agreement shall terminate sixty (60) days thereafter.

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B. Material breach of the terms of this Agreement by either party shall give the other party the right to immediately terminate this Agreement by giving written notice of its intention to do so to said party.

C. This Agreement shall be automatically terminated by legal proceedings instituted by or against the Representative for bankruptcy or insolvency, although none of the Company's or Representative's rights and claims under this Agreement will be construed to be abrogated thereby.

D. Within fifteen (15) days after the actual termination date for any termination of this Agreement, Representative shall prepare and present to the Company a declaration of all matters which Representative considers that, if a purchase contract is awarded, its work to date of such termination in connection with said purchase contract was a material contribution to obtaining said contract, and upon which Representative would therefore claim a commission. If Representative does not present such a declaration to the Company, Representative shall have no right or claim, and shall be deemed to have waived such right or claim if it otherwise existed, to receive a commission on any contract awarded subsequent to the termination date. Representative shall continue to represent the Company in the negotiations with respect to such contracts, to the extent requested by the Company in each negotiation, until an acceptable contract has been received by the Company, and failure to continue such representation shall in any event constitute a waiver of all commissions upon contracts resulting from such negotiations. Provided, however, that in no event shall a commission be paid on order(s) which are not received and accepted by the Company within six (6) months after the date of termination of this Agreement. The Company shall act in good faith to fill all such orders within the six (6) month period, and Representative shall continue to service such account in accordance with Section V of this Agreement.

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Notwithstanding any other provision of this Agreement, however, Representative will continue to receive commissions with respect to sales made to persons who are existing customers of the Company as of the date of termination hereof, if commissions would otherwise have been payable but for termination, as follows:

1. If termination is by Representative, for the remaining term of this Agreement, but in no event, for excess of one year.
2. If termination is by the Company, for as long as Representative services the account in accordance with the provisions of paragraph V hereof.

E. In regard to commissions subject to Paragraph IX(D) hereof, Representative's commission shall:

1. Be reduced by fifty percent (50%) if the Agreement was terminated by the Company for cause; or
2. Remain the same as that set forth in Attachment A hereto if the Agreement was terminated by the Company without cause or by the Representative with or without cause.

F. It is agreed that in the event of the dissolution of the Representative for any reason, the Company will have completed its full obligation to the Representative by mailing a check (or checks) to the Representative covering the Company's commission obligations at the address above designated by the Representative, and that it shall be the duty of the Representative, and not that of the Company, to distribute the amounts of check or checks to those having claims.

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G. Upon termination of this Agreement by either party, the Representative shall, at the Company's expense, promptly return to the Company all Company-related property, including price lists, sales aids, demonstrators, and unused literature.

H. In the event of termination of this Agreement, the Company shall not be liable for any amounts except as provided above.

#### X. CONFIDENTIALITY

The Representative will not impart to any competitor of the Company, or otherwise use for the purpose of competition with the Company, any confidential information which it may acquire in the performance of this Agreement. Representative will cause its employees to execute the Company's standard form nondisclosure agreement. For a period of one year after the termination of this Agreement, Representative will not solicit, directly or indirectly, any of the customers of the Company. During the course of this Agreement and thereafter, Representative and the Company agree not to employ in any capacity each other's employees, agents, consultants, or independent contractors without the prior written consent of the other, with the exception of Phillip K. Schneiderman who may be called upon from time to time to fulfill duties commensurate to the functions of a shareholder and director of Saxxon. Representative agrees not to use any proprietary or confidential information obtained from the Company except for uses contemplated hereby. The Company shall appropriately mark and bring to Representatives attention all matters which it deems to be trade secrets, proprietary, confidential, etc. Saxxon shall appropriately mark and bring to Company's attention all matters which it deems to be trade secrets, proprietary, confidential, etc.

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#### IX. GENERAL

A. All notices, requests and demands shall be given to or made upon the parties hereto at their respective addresses specified above, or as to any party, at such other address as may be designated by it in a written notice to the other party. All notices, requests, consents and demands hereunder shall be effective when mailed by certified or registered mail, return receipt requested, properly addressed as aforesaid, with postage included, or delivered personally.

B. This Agreement may not be amended or modified, nor may any of its terms be modified or waived, except by written instrument signed by the parties hereto. This Agreement supersedes and cancels any and all prior understandings, agreements and representations, oral or written, between the parties hereto, except a certain Stock Purchase Agreement dated March 4, 1976. This Agreement also terminates a certain Management Services Agreement dated March 4, 1976, and a certain letter agreement dated January 15, 1976, the parties to have no further obligations thereunder, except for obligations arising under paragraph 7 of said Management Services Agreement.

C. This Agreement shall be binding upon and inure to the benefit of the Company and Representative and their respective successors and assigns.

D. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing such counterpart.

E. This Agreement and the exhibits hereto shall be construed in accordance with and governed by the laws of the State of Minnesota.

F. Any dispute relating to the interpretation or construction, or dispute arising out of this Agreement shall be settled by binding arbitration governed by the Rules then obtaining of the American Arbitration Association. Each party shall designate one arbitrator and the two thus designated shall promptly choose a third. The arbitration shall proceed expeditiously and shall take place in Minneapolis, Minnesota. Each party will bear their own expenses and the costs of the arbitration shall be shared equally.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day, month and year first above written.

NORTHERN INSTRUMENTS CORPORATION

SEAL

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

THE SAXXON ORGANIZATION  
INCORPORATED

SEAL

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

ATTACHMENT A

COMPENSATION

Representative will be paid commissions by the Company at the following rates:

1. Twenty-five percent (25%) of net proceeds from sales of the Company's goods outside the United States of America generated by the Representative's efforts; or
2. Ten percent (10%) of net proceeds from sales of the Company's goods within the United States of America generated by the Representative's efforts.

"Net proceeds" means proceeds of sale less discounts, credits or refunds and exclusive of transportation, delivery, installation and training charges, and less all taxes, charges, duties, tariffs and other similar costs levied on such sales. In the event withholding taxes apply to the international transfer of funds as a result of sales outside the United States of America, the Company's obligation to pay commissions will be based upon the net proceeds from the sale received in the country where the final sale occurs reduced by all withholding or equivalent taxes applied in transferring the funds to the United States of America.

Representative will be paid the commission within thirty (30) days after Company has received payment.

ASSIGNMENT

Agreement dated as of January 9, 1980, by and between The Saxxon Organization Incorporated ("Saxxon"), Inter Alia Holding Co. ("Inter Alia") and Northern Instruments Corporation ("Northern").

WHEREAS, Northern and Saxxon as of October 1, 1976, entered into a Manufacturer's Representative Agreement (the "Agreement") pursuant to which Northern designated Saxxon an independent Manufacturer's Representative on matters relating to the sale of goods and services of Northern, and

WHEREAS, the parties desire that Inter Alia succeed Saxxon as Representative under the Agreement and that all the rights and obligations of Saxxon thereunder be assigned and transferred to Inter Alia,

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, it is agreed as follows:

1. Saxxon does hereby assign, transfer and set over unto Inter Alia all of its right, title and interest in and to the Agreements and to any sums to become due thereunder. Saxxon does further resign as Representative under the Agreement effective upon Inter Alia's assumption of such status.
2. Saxxon hereby represents, warrants and covenants that the Agreement is in full force and effect and is valid and enforceable in accordance with its terms; that neither party thereto is in breach of any of the terms of the Agreement and there are no defaults or notices of default hereunder; and that there are as of the date hereof no unsatisfied claims or demands existing between the parties to the Agreement.

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3. Inter Alia hereby accepts the foregoing assignment and agrees to assume and perform all the covenants, agreements and obligations of Saxxon as Representative under the Agreement.
4. Northern hereby consents to the foregoing assignment, acknowledges the resignation by Saxxon as Representative and designates Inter Alia as successor Representative to Saxxon under the Agreement.
5. This Assignment shall not be deemed in any respect a termination of the Agreement, and Saxxon specifically acknowledges its continuing obligations under Section X thereof.
6. This Assignment shall be binding upon and, in accordance with its terms, inure to the benefit of the parties hereto and the respective successors and assigns of Northern and Inter Alia.
7. This Assignment shall be construed in accordance with and governed by the laws of the State of Minnesota.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in several counterparts (each of which shall be deemed to be an original hereof) as of the day and year first above written.

THE SAXXON ORGANIZATION  
INCORPORATED

SEAL

By /s/

\_\_\_\_\_

Its Vice Presid. & Secretary

\_\_\_\_\_

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INTER ALIA HOLDING COMPANY

SEAL

By /s/

\_\_\_\_\_

Its Exec V.P.

\_\_\_\_\_

NORTHERN INSTRUMENTS CORPORATION

SEAL

By /s/

\_\_\_\_\_

Its President

\_\_\_\_\_

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TECHNICAL IMPROVEMENT AND  
INTELLECTUAL PROPERTY DEVELOPMENT AGREEMENT  
  
BY AND AMONG  
  
ATAGENCER, LLC,  
  
MEHMET A. GENCER, PH.D.,  
  
ATAGENCER GROUP,  
  
AND  
  
NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

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**TECHNICAL IMPROVEMENT  
AND INTELLECTUAL PROPERTY  
DEVELOPMENT AGREEMENT**

THIS TECHNICAL IMPROVEMENT AND INTELLECTUAL PROPERTY DEVELOPMENT AGREEMENT (the “Agreement”) is made and entered into as of January 5, 2004, by and among ATAGENCER, LLC, a limited liability company organized under the laws of the State of Ohio (“Atagencer”), MEHMET A. GENCER, Ph.D., the founder and a member of Atagencer (“Founder”), those Persons (including Founder) who have executed this Agreement at the signature page hereof and who are identified herein as being members of the Atagencer Group (the “Atagencer Group”), and NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION, a corporation organized under the laws of the State of Delaware (“NTI”). Atagencer, Atagencer Group and NTI are each hereinafter referred to as a “Party” and are collectively referred to herein as the “Parties”.

**RECITALS:**

- A. Atagencer and the Atagencer Group have caused the “Atagencer Technology” (as hereinafter defined) to be transferred to NTI.
- B. NTI is the owner, developer and distributor of certain technologies and products in North America and elsewhere in the world, and desires to have access to the services and support that Atagencer is capable of and committed to providing under this Agreement in furtherance of the “Business” (as hereinafter defined).
- C. The Parties also desire NTI to have the exclusive right to use, develop, commercialize and apply the “Atagencer Technologies” (as hereinafter defined) that is developed, engendered or promulgated by Atagencer and the Atagencer Group pursuant to the terms of this Agreement, whether or not patented, together with the exclusive right to market and sell all products and technologies derived therefrom, within the “Territory” (as hereinafter defined), including the right to sublicense the same to “Affiliates” (as hereinafter defined) of NTI and to third parties.

NOW, THEREFORE, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

**ARTICLE 1**

**DEFINITIONS**

For purposes of this Agreement, the following definitions shall apply.

- 1.1 **Affiliate.** Any Person that controls, is controlled by, or is under common control with, another Person.
- 1.2 **Agents.** The officers, employees, consultants and other representatives, however denominated, of any of the Parties.

- 1.3 **Atagencer.** Atagencer, LLC, a limited liability company organized under the laws of the State of Ohio.

- 1.4 **Atagencer Group.** The Persons identified in Section 2.2 of this Agreement, each of whom by this definition shall be deemed to be a member of the Atagencer Group, and all of whom collectively comprise the Atagencer Group.

- 1.5 **Atagencer Technology.** All Intellectual Property Rights arising out of or related to the technologies described in Exhibit A attached hereto, as the same may be updated and supplemented from time-to-time by agreement of the Parties, to wit:

1.5.1 **Biodegradable Polymer Technology.** Biodegradable polymers that may be combined with, impregnated with and/or used to encapsulate one or more inhibiting formulas or compounds (e.g. corrosion inhibiting or tarnish inhibiting formulas) including, without limitation, the technologies and Intellectual Property Rights embodied in the patent application described in Exhibit A attached hereto and all patents, patent applications, KnowHow and related intellectual property derived from the same.

1.5.2 **Supercritical Technology.** Various processes that utilize one or more supercritical fluids to disperse various inorganic and organic materials, including crystalline materials, into polymeric compositions, substrates or pre-formed articles without the utilization of melt processing of the polymeric compositions or exposing the various inorganic or organic materials and the polymers (or polymeric precursors) to a high temperature environment under which material decomposition may occur, including without limitation, the technologies and Intellectual Property Rights embodied in the patent application described in Exhibit A attached hereto and all patents, patent applications, Know-How and related intellectual property derived from the same.

1.5.3 **Biobased Solvents.** Biobased solvents, such as corn and soybean based solvents, including without limitation, the technologies and Intellectual Property Rights embodied in the patent application described in Exhibit A attached hereto and all patents, patent applications, Know-How and related intellectual property derived from the same.

- 1.6 **New Atagencer Technology.** In conformity with the objectives of the Parties to expand the Business over time, any products, materials and/or technologies developed by Atagencer or any member of the Atagencer Group during the term of this Agreement that are identified by the Parties as being both compatible with the Business and susceptible of being profitably marketed through and/or by NTI and its Affiliates in the Territory shall be designated as “New Atagencer Technology”. Upon written agreement of the Parties to adopt such new products, materials and/or technologies within the scope of the Business, such

1.7 **Change of Control.** Any change in ownership, management, control or scope of business activities of a Party that could affect the performance of the duties and/or obligations of such Party under this Agreement.

1.8 **Effective Date.** The date of this Agreement.

1.9 **Founder.** Mehmet A. Gencer, Ph.D., a natural person.

1.10 **IMET.** IMET Corporation, an Ohio corporation that is an Affiliate of Founder.

1.11 **NTI.** Northern Technologies International Corporation, a corporation organized under the laws of the State of Delaware.

1.12 **NTI Intellectual Property Rights.** All Know-How, Materials, Processes, Trademarks and Trade Secrets (all as herein defined), collectively, as the same currently exist and as they shall hereafter be modified, developed and/or acquired by NTI.

1.13 **NTI Know-How.** All technologies, formulae, methods and procedures developed by NTI which are unique in nature and essential or useful in the commercial exploitation of the NTI intellectual property rights, together with all improvements and modifications with respect thereto.

1.14 **NTI Masterbatch.** Any formulation of the Materials used in a Product that is intended by NTI to meet its customers' requirements for corrosion protection of identified objects that are subjected to an anticipated range of corrosive influences. In addition to Materials, Masterbatch also generally contains other substances intended to facilitate the manufacture of Products utilizing the Process.

1.15 **NTI Materials.** The constituent materials and chemicals of one or more formulations developed by a Party under strict quality controls that are required for utilization of the Processes.

1.16 **NTI Designated Applications** .. Each of the following applications of the NTI Intellectual Property Rights is hereinafter defined as a "Designated Application".

(A) Protective packaging and storage;

(B) Certain material science and applications thereof, as determined by NTI;

(C) Protection of materials from adverse reactions such as corrosion, abrasion and static damage.

1.17 **Net Sales.** The gross proceeds received by a designated Person from the commercial exploitation of the Atagencer Technology and any New Atagencer Technology in normal, bona fide commercial transactions on an arm's length basis to, by, with or through any Person that is not an Affiliate of any Party to this Agreement, including proceeds received from the sale of Products or Services utilizing the Atagencer Technology and any New Atagencer Technology, as well as royalties and other proceeds received from any license, sublicense, sale, assignment or other transfer of all or any part of the Atagencer Technology and any New Atagencer Technology, less (i) sales discounts (including sales rebates); (ii) sales returns; (iii) shipping and transaction costs, such as Value Added Tax, CIF charges and packaging expenses; and (iv) sales commissions to third parties.

1.18 **NTI Technology.** All intellectual property rights owned by or licensed to NTI that are used or usable by NTI or its Affiliates in their respective businesses other than the Atagencer Technology and any New Atagencer Technology.

1.19 **Parties.** The parties to this Agreement and their successors and permitted assigns.

1.20 **Person.** Any corporation, partnership, limited liability company or other entity, however denominated, and any natural person.

1.21 **NTI Processes.** The procedures utilized in the Know-How for the manufacture of Products developed and specified by NTI, together with any improvements of and modifications to the same as it relates to the manufacturing of Products, including all future technology, knowledge and product development that is useful in the manufacture of Products.

1.22 **NTI Products.** Any products, including machinery and equipment, manufactured by or for NTI utilizing the NTI Intellectual Property Rights, incorporating NTI Materials or NTI Processes, or utilizing NTI Trademarks, which have been developed by and are owned and/or licensed by NTI.

1.23 **Services.** All services utilizing or based upon the Atagencer Technology or any New Atagencer Technology.

1.24 **Territory.** Worldwide.

1.25 **NTI Trade Secrets.** All information deemed and designated confidential by NTI and/or its Affiliates, all information regarding the NTI Know-How, NTI Materials, NTI Processes, NTI Products and NTI Masterbatch, together with all information regarding technology, customers, research, techniques, processes, applications, formula, customer data, customer lists, suppliers, competition, marketing strategy, supply relationships, costs and cost accounting, internal memoranda and diagrams, computer software and the programs and records contained therein, sales information, financial information, pricing data and profits, relating to the NTI Designated Application or the NTI Intellectual Property Rights.

1.26 **NTI Trademarks.** All trademarks now or hereafter owned or licensed by NTI that are essential or useful in the Business, including all trade literature, technical specifications and application instructions and promotional material pertaining thereto, together with all ancillary trademark registrations, which may differ between various jurisdictions.

## ARTICLE 2

### MATTERS RELATING TO ATAGENCER

2.1 **Organization of Atagencer.** On April 24, 2001, Atagencer was duly formed as a limited liability company under the laws of the State of Ohio. The members of Atagencer Group, jointly and severally, hereby represent and warrant to NTI that true and exact copies of Atagencer's Articles of Organization and its Operating Agreement have been delivered to NTI. The costs and expenses of forming Atagencer, including all legal and accounting fees and expenses, filing fees, licensing fees and administrative charges, were paid for by NTI. The Parties acknowledge that all future administrative charges and fees relating to Atagencer shall be borne exclusively by Atagencer.

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2.2 **Ownership of Atagencer.** The members of Atagencer Group, jointly and severally, hereby represent and warrant to NTI that as of the Effective Date all of the membership interests in Atagencer are owned by the following Persons, each of whom is a member of Atagencer Group:

<u>Name of Member</u>	<u>Membership Interest</u>	<u>Percentage of Ownership</u>
Mehmet A. Gencer	4,000 Class A	40%
Christine C. Gencer	2,000 Class A	20%
Ayla S. Gencer	1,000 Class B	10%
Mehmet A. Gencer, Custodian for Kaan E. Gencer under the Ohio Transfer to Minors Act	1,000 Class B	10%
Mehmet A. Gencer, Custodian for Berk E. Gencer under the Ohio Transfers to Minors Act	1,000 Class B	10%
Mehmet A. Gencer, Custodian for Kerem C. Gencer under the Ohio Transfers to Minors Act	1,000 Class B	10%
		100%

## ARTICLE 3

### TECHNICAL ASSISTANCE TO BE PROVIDED BY ATAGENCER

3.1 **Technical Assistance Relative to Atagencer Technology.** Atagencer (acting through Founder) shall provide NTI with technical advice with respect to the effective use of the Atagencer Technology, including technical assistance in the manufacturing of Products incorporating the Atagencer Technology. In addition, Atagencer (acting through Founder) shall assist NTI in responding to technical problems which might arise from the use (proper and improper) of the Atagencer Technology and in the evaluation of potential new applications of the Atagencer Technology for specific customers.

3.2 **Development of New Applications ..** Atagencer (acting through Founder) shall continue its efforts to expand the range of applications of the Atagencer Technology and shall make any tangible results of such efforts available to NTI.

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3.3 **Limitation of Technical Assistance.** During the term of this Agreement, neither Atagencer nor Founder shall enter into any other agreement or arrangement of any kind with any Person involving the development, identification or providing of material science-based technology in or for any of the Designated Applications, except for Atagencer's services under this Agreement.

3.4 **Services in Selected Scientific Fields ..** The primary focus of the day-today business activities of Atagencer (acting through Founder) shall be to serve and support the development and expansion of NTI's materials science-based anti-corrosion industrial, packaging products, stationary systems and installations, as the same have derived initially from the NTI Technology, as the same have been expanded to include the Atagencer Technology, and as the same may be further expanded over time to include additional technologies.

3.5 **Development of Strategic Alliances.** Atagencer (acting through Founder) shall also interact with senior technical officers of NTI to provide guidance for the strategic development, evaluation, expansion and upgrade of all NTI Technology and shall assist NTI to identify appropriate strategic partners for the commercialization of all NTI Technology and to structure and implement appropriate joint ventures or other relationships with such strategic partners.

## ARTICLE 4

### ATAGENCER INTELLECTUAL PROPERTY RIGHTS

4.1 **Transfer of Atagencer Technology to NTI.** Founder, Atagencer and the members of Atagencer Group have caused all right, title and interest in and to the Atagencer Technology to be transferred to NTI, including all rights to the Biodegradable Polymer Technology, the Supercritical Technology, and the Biobased Solvents. Copies of the Assignments relating to such transfers have been delivered to NTI.

4.2 **Transfer of Inventions by Founder to Atagencer.** In addition to the transfers described in Section 4.1, Founder shall continue during the term of this Agreement to transfer and assign to Atagencer all of his right, title and interest in and to all new personal proprietary scientific inventions of Founder relating to the NTI Designated Applications as Founder, in his reasonable, professional judgment, deems properly to fall within the true intent of this Agreement (which provides, *inter alia*, that Parties shall cooperate in the commercial and technical development of the NTI Know-How). Founder agrees to transfer such proprietary scientific inventions to Atagencer in order for Atagencer to be able to perform its obligations under this Agreement. Founder shall execute such instruments and documents of transfer as may be reasonably requested by NTI in order to evidence such transfers. Attached hereto as Exhibit B is a listing of the technical documents that have been prepared by Founder and have been or will promptly be transferred to Atagencer. Such documents describe Atagencer's initial fund of Know-How. During the term of this Agreement, Founder and Atagencer shall regularly update and amend Exhibit B to this Agreement to reflect all such additional proprietary scientific inventions of Founder that have been or will be transferred by Founder to Atagencer. Atagencer shall permit all such documents identified in Exhibit B, as the same is updated and amended from time-to-time, to be reviewed by the Executive Committee of NTI to determine whether to file patent applications upon some or all of such know-how in accordance with Section 4.4 hereof, which shall govern the relationship between the Parties with respect to such intellectual property rights. The Parties also intend that Exhibit B to this Agreement shall be updated and amended from time-to-time to accommodate New Atagencer Technology, as the same is developed.

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4.3 **Transfer of Certain Other Rights to NTI.** Based upon the technical expertise of Founder, Atagencer may develop NTI Know-How relating to the Designated Applications (resulting from its interaction with NTI and its Affiliates) which may serve to further the commercial and technical interests of NTI and its Affiliates. NTI's Affiliates are identified in the NTI Federation Roster as the same may change from time to time. A copy of the NTI Federation Roster has been provided to Atagencer. If the Parties determine, in the exercise of their reasonable business judgment, that any such Know-How is not susceptible of patent application due to a lack of protectable technical innovation and/or inadequate independent commercial value, the rights to such NTI Know-How shall automatically be transferred to NTI, without any requirement for NTI to tender any additional consideration therefor, except as otherwise expressly provided in this Agreement. Alternatively, if the Parties determine, in exercise of their reasonable business judgment, that one or more applications for letters patent for specific elements or aspects of the NTI Know-How relating to the NTI Designated Applications should be filed in accordance with the provisions of Section 4.4 hereof, and that such NTI Know-How is susceptible of being patented pursuant to Section 4.4 hereof, such Atagencer proprietary information shall be deemed to be New Atagencer Technology.

4.4 **Applications for Patents.** In the event that NTI determines, in its sole judgment, that any of the proprietary scientific inventions of Founder (relating to the NTI Designated Applications) that have been transferred to Atagencer pursuant to Section 4.2 above, or any other New Atagencer Technology, as the same presently exists or may hereafter arise, is of sufficient commercial value to warrant obtaining a patent and that any such inventions or New Atagencer Technology is in fact patentable in the United States or elsewhere within Territory, then, upon NTI's request and at NTI's expense (which shall not include any special compensation to Founder therefor), Founder, Atagencer and Atagencer Group shall take all necessary and reasonable steps to prepare all required technical documents for the filing of a patent application and shall take such other steps as are normally incident to the filing, processing and issuance of patents. In such event, the inventions and New Atagencer Technology that are the subject of any such patent application shall, upon issuance of the initial letters patent therefor, thereafter be deemed to be New Atagencer Technology.

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4.5 **Unrelated Technologies.** The Parties acknowledge that Founder is a creative scientist who desires and intends to engage in research and other creative activities during his professional career (individually and through Affiliates of Founder other than Atagencer, e.g. IMET) outside of the scope of the Atagencer Technology and in fields other than the Designated Applications ("Unrelated Technology"). Attached as Exhibit C is a true, correct and complete list of all Unrelated Technology owned by IMET. Founder shall update said Exhibit C from time to time during the term of this Agreement, as requested by NTI, to disclose all additional Unrelated Technology that is hereafter acquired by IMET. Nothing in this Agreement is intended in any manner to limit or prohibit Founder from continuing in such activities, and Founder is encouraged to do so. Founder shall be entitled to receive all economic benefits, compensation, and profits that may be derived from the use of such Unrelated Technology, and Founder shall not be required to transfer his interests in such Unrelated Technology to Atagencer. In the event, however, that Founder wishes to disclose any such Unrelated Technology and matters arising therefrom to NTI, and if NTI is interested in obtaining information with respect thereto looking toward the possible commercialization thereof on essentially the same terms as set forth in this Agreement, then NTI agrees that it will enter into an appropriate non-disclosure and trade secrecy agreement protecting Founder from any improper utilization by NTI of the information disclosed to it by Founder on a confidential basis.

4.6 **Liability Insurance Coverage Provided by NTI.** NTI shall cause Atagencer and Founder to be named as additional insureds under NTI's liability insurance coverage with respect to any use of the Atagencer Technology and New Atagencer Technology pursuant to the terms of this Agreement.

## **ARTICLE 5**

### **REVENUE SHARING WITH ATAGENCER WITH RESPECT TO ATAGENCER TECHNOLOGY AND NEW ATAGENCER TECHNOLOGY**

5.1 **Revenue Sharing.** Any revenues generated by NTI Net Sales arising out of Atagencer Technology and/or new Atagencer Technology, shall be shared with Atagencer on the basis of EBIT with 75% going to NTI, and 25% going to Atagencer, irrespective of the entity which generates such revenues (e.g. division of NTI, a Joint Venture with Atagencer and others or other).

5.2 **No Separate Compensation.** There shall be no separate compensation to Atagencer or Founder for the transfer of technology to NTI with respect to the Atagencer Technology or any New Atagencer Technology, beyond the revenue sharing payments payable to Atagencer from the commercialization of the Atagencer Technology an/or New Atagencer Technology, as set forth in this Article 5.

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5.3 **Support Year.** The term "Support Year" shall mean any twelve (12) month period ending on August 31, except that the first Support Year shall commence on the Effective Date, and end at the next August 31 date.

5.4 **Statements to Atagencer.** Within sixty (60) days after the last day of each quarterly period in each Support Year, NTI shall:

(A) Prepare and deliver to Atagencer a complete and accurate statement setting forth for the quarter just ended and separately and cumulatively for and with respect to all elapsed quarterly periods for the Support Year:

(i) The total amount of EBIT (broken down in reasonable detail by individual volumes and customers and showing all costs and discounts leading to the establishment of the EBIT figure for each customer);

(ii) The total amount of EBIT due to Atagencer;

(B) Pay to Atagencer the full amount of 25% of EBIT to which it is entitled for and with respect to the period or periods of the Support Year covered by the statement(s) provided for in Section 5.7(A) hereof.

5.5 **Books and Records** .. NTI covenants and agrees that during the term of this Agreement it will:

(A) Keep complete and accurate commercial and financial records and books of account showing the amount of billings to customers and the amount of deductions therefrom in arriving at Net Sales and all additional data and information which may be reasonably necessary to enable Atagencer's independent accountants to verify the completeness and accuracy of each item of information which NTI is required to set forth in each of the statements referred to in Section 5.7(A);

(B) Keep all such commercial and financial records and books of account at its principal office and will preserve all such records and books of account for a period of not less than three (3) years from and after the date on which such records or the last entry in such books of account was made, whichever shall be later; and

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(C) Make such commercial and financial records, books of account, data and information available to Atagencer's representatives and to Atagencer's independent accountants and will give to such representatives or accountants free and complete access, at any reasonable time or times, to all such records, books of account, data and information, for the purposes of examining the same and verifying the completeness and accuracy of each item of information which NTI is required to set forth in each of the statements referred to in Section 5.7(A) hereof. In addition, Atagencer shall have the right to make copies of any of the foregoing. The independent accountants of NTI shall in the ordinary course of business provide written confirmation and certification to Atagencer, at least annually, of the data supplied to Atagencer pursuant to Section 5.7(A) hereof. The cost of such reports shall be borne by NTI. In the event that Atagencer shall cause its representatives to confirm or verify the accuracy of the data supplied by NTI, then the costs and fees of such representatives shall be borne by Atagencer unless such representatives shall determine, to the satisfaction of NTI's independent accountants, that there is a variation in the reporting of Net Sales of five percent (5%) or more, in which event the costs and fees of Atagencer's representatives and/or accountants shall be borne by NTI.

5.6 **Reimbursement for Reasonable Business Expenses.** In the event NTI requests Founder (acting on behalf of Atagencer) to travel or otherwise incur out-of-pocket costs or expenses in furtherance of the purposes of this Agreement, NTI shall pay to Founder (or Atagencer, if so directed by Founder) such amounts as are necessary to pay or reimburse Founder for his reasonable business and travel expenses, which shall be determined and approved in advance by NTI on a case-by-case basis.

## **ARTICLE 6**

### **INTERNATIONAL COORDINATION AND SUPPORT**

It is recognized by the Parties that a major element in the technical assistance to be provided by Atagencer pursuant to this Agreement relates to the integration of the Atagencer Technology and any New Atagencer Technology into the Business within the worldwide Federation of NTI and its Affiliates. Therefore, the technical assistance provided to NTI shall include:

6.1 **Identification of International Customers.** Atagencer (and Founder) shall, together with NTI, identify potential international companies working in the Territory and attempt to determine which of these have become significant users of services or products utilizing the Atagencer Technology or any New Atagencer Technology in the Territory. Following such research into pre-existing customers, Atagencer (and Founder) shall provide lists of significant users of services or products utilizing the Atagencer Technology or any New Atagencer Technology they identify, together with appropriate references, photographs and other available information as to appropriate applications of the Atagencer Technology or any New Atagencer Technology for each international customer identified to NTI for use in the Territory.

6.2 **Participation in Worldwide Conferences.** Atagencer shall also participate (and cause Founder to participate) in appropriate worldwide and regional strategic conferences, marketing seminars and technical exchanges organized by NTI and/or its Affiliates for their joint venture partners.

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## **ARTICLE 7**

### **PAYMENTS FOR TECHNICAL ASSISTANCE SERVICES**

7.1 **Basis for Payments.** NTI shall make payments to Atagencer as provided in this Article 7 in consideration of all services performed by Atagencer (and Founder) as set forth in Articles 3, 4, 5 and 6 hereof. Atagencer shall designate Founder as the representative of Atagencer who shall personally perform such services on behalf of Atagencer. The payments set forth herein shall be made throughout the entire term of this Agreement as compensation in full for the services specified and duly provided by Atagencer (and Founder) to NTI.

7.2 **Consulting Fee.** As of the effective date hereof, NTI shall pay Atagencer a consulting fee in the amount of Ten Thousand Dollars (\$10,000.00) per month for the services described in Section 7.1 above, commencing as of the Effective Date. The amount of the consulting fee shall be subject to periodic review by the Board of Directors of NTI. Attached hereto as Exhibit D is a true and correct history of all payments that have been made by NTI to Atagencer from 1999 through the Effective Date (the "Payment History").

7.3 **Independent Contractor.** Notwithstanding anything contained in this Agreement to the contrary, in performing its services hereunder, Atagencer shall act as, and for all purposes shall be deemed to be, an independent contractor. As an independent contractor, Atagencer shall be free (subject to the provisions of Section 7.1 above) to pursue whatever proper and legitimate means it chooses in performing the technical assistance and consulting services contemplated hereby. Neither this Agreement nor the services to be rendered by Atagencer hereunder shall create any employer-employee relationship. If required by applicable law, NTI will issue Atagencer, on an annual basis during the term of this Agreement, an IRS Form 1099 with respect to compensation paid to Atagencer hereunder. Atagencer shall have sole and exclusive responsibility for the payment of all income taxes and for any taxes with respect to any compensation or benefits provided by NTI hereunder. Atagencer shall assume and accept all responsibilities which are imposed on independent contractors by any statute, regulation, rule of law or otherwise. Atagencer is not authorized to bind NTI or to incur any obligation or liability on behalf of NTI except as expressly authorized by NTI in writing. All authorized obligations or reasonable and necessary business expenses incurred by Atagencer in the performance of its duties under this Agreement shall be for the account of, on behalf of, and at the expense of NTI.

7.4 **Assignment of Inventions.** Notwithstanding anything contained in this Agreement to the contrary, and without in any way limiting any rights that NTI may have at law or in equity and arising out of the relationship established by this Agreement, the following shall apply:

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(A) **Works Made For Hire.** All right, title and interest of Atagencer in any designs, processes, formulae, technologies developed or used, know-how, systems, trade secrets, inventions, discoveries, trademarks, logos, artwork, concepts, copyrights, improvements and patent or patent rights conceived, reduced to practice, devised or developed in connection with Atagencer's relationship with NTI under this Agreement, or otherwise arising or resulting from such relationship whether or not derived from the foregoing, and all proprietary information, confidential information or trade secrets of NTI that relate to the business of NTI (collectively the "Protected Property") shall be treated as "works made for hire" as defined in the Copyright Act of 1976, as amended, 17 U.S.C. §101, et seq. To the extent that any such Protected Property is deemed or treated as not being a "work made for hire," Atagencer hereby expressly and irrevocably assigns to NTI all of its right, title and interest in and to such Protected Property and any and all intellectual property rights Atagencer may have therein. All Protected Property is and shall be the sole and exclusive property of NTI. Atagencer agrees to promptly disclose to NTI all such Protected Property upon its development, discovery or invention by Atagencer and, in any event, upon the request of NTI. The obligations of this Section shall continue beyond the term of this Agreement and shall survive the termination of this Agreement and Atagencer's relationship to NTI with respect to all such Protected Property reduced to practice, conceived, developed, made or otherwise resulting from Atagencer's relationship with NTI under this Agreement and shall be binding upon Atagencer's employees, agents, consultants, contractors, representatives, successors and permitted assigns.

(B) **Further Assurances.** Upon request by NTI, Atagencer shall execute and deliver all appropriate applications for securing all United States and foreign patents, copyrights, trademarks, or other intellectual property rights relating to the Protected Property, and shall do, execute and deliver any and all acts and instruments that may be necessary or proper to vest all such Protected Property and intellectual property rights in NTI, and to enable NTI to obtain all such protection. Atagencer agrees to render to NTI all such assistance as it may require in the prosecution or defense of all interferences which may be declared involving any of said Protected Property or rights. Atagencer further agrees not to contest the validity of any of NTI's intellectual property rights, United States or foreign, to which Atagencer's performance of services made any contribution, or in which Atagencer participated in any way, or to assist any other party in any way in contesting the validity of any such right. Atagencer further agrees that the obligations and undertaking stated in this Section 7.4 shall continue beyond the term of this Agreement and shall survive the termination of this Agreement.

(C) **Return of Protected Property.** All Protected Property of NTI, including, without limitation, software programs, software and systems documentation, records, data, documents, artwork, designs, diagrams and other materials created or developed by Atagencer or coming into its possession during the term of this Agreement, whether or not the same are covered by any other section of this Agreement, relating in any way to the business of NTI, shall be the sole and exclusive property of NTI and shall be delivered promptly to NTI (together with all copies thereof), upon termination of this Agreement or upon the request of NTI.

(D) **Third Party Assignment.** To the extent that any Protected Property has been created, conceived, reduced to practice, devised or developed together with an agent of Atagencer who in participation with Atagencer conceived, reduced to practice, devised and/or developed Protected Property (the "Co-Inventor"), Atagencer shall obtain the express and irrevocable written agreement or instrument of the inventor (in form and substance satisfactory to NTI), assigning to NTI all of such Co-Inventor's right, title and interest in and to such Protected Property and all intellectual property rights that such Co-Inventor may have therein. Atagencer shall provide to NTI executed copies of the foregoing written agreements or instruments together with any other evidence that NTI reasonably requests to verify that the foregoing assignments have been consummated. Upon the execution of this Agreement, Atagencer shall provide NTI with a complete list of all Protected Property which has been created, conceived, reduced to practice, devised or developed by any Co-Inventor, contractor or agent of Atagencer, who created, conceived, reduced to practice, devised or developed Protected Property with Atagencer, or which otherwise could be deemed or treated as other than a "work made for hire."

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## **ARTICLE 8**

### **REPRESENTATIONS AND WARRANTIES OF ATAGENCER**

Atagencer and the members of Atagencer Group, jointly and severally, hereby represent and warrant to NTI as follows:

8.1 **Originality.** The Atagencer Technology consists of wholly original works, solely created and developed by Founder and other Persons who have effectively transferred all of their rights in the Atagencer Technology to NTI, so that NTI has good and valid title to the Atagencer Technology, free from all liens, claims and encumbrances of any kind or nature whatsoever.

8.2 **Certified Biography.** To attest to the ability of Founder to have been the principal developer of the Atagencer Technology, Founder has submitted to NTI his curriculum vitae, together with selected publications of Founder.

8.3 **No Copies.** Neither Atagencer nor any member of Atagencer Group has copied or reproduced any other Person's proprietary works, software codes, documentation, copyrighted material, patented material, patent applications or other documents or information while developing any of the Atagencer Technology.

8.4 **No Infringement.** To the best knowledge and belief of Atagencer and the members of Atagencer Group, no claims of copyright or patent infringement relating to any portion of the Atagencer Technology have been submitted to or filed with or registered with the United States Copyright Office or Patent and Trademark Office or any similar public office in any other country in the Territory.

8.5 **No Transfer of Rights.** Neither Atagencer nor any member of Atagencer Group has ceded, transferred, licensed, conveyed or otherwise bargained away any of their right, title or interest in and to the Atagencer Technology to any Person other than to NTI.

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8.6 **Miscellaneous Representations and Warranties.** No third party has any claim upon, title to or interest in the Atagencer Technology. No third party has requested Atagencer or any member of Atagencer Group to prepare or develop any aspect of the Atagencer Technology for such third party. Neither Atagencer nor any member of Atagencer Group has mortgaged or otherwise encumbered or permitted the encumbrance of any portion of the Atagencer Technology. Neither Atagencer nor any member of Atagencer Group has entered into any option or other agreement with any third party relating to the Atagencer Technology, and NTI has received all of the rights to the Atagencer Technology.

8.7 **Escrow of Funds.** Atagencer and the members of Atagencer Group hereby acknowledge that the assertion or filing of any third party claim, title or interest in or to the Atagencer Technology or any New Atagencer Technology will be grounds for NTI to escrow all or any part of the monies due Atagencer under this Agreement until satisfactory resolution thereof.

## **ARTICLE 9**

### **PROTECTION OF NTI TRADE SECRETS**

9.1 **Acknowledgment of NTI Trade Secrets.** Atagencer and the members of Atagencer Group each hereby acknowledge and agree that the NTI Technology and all other information deemed confidential by NTI and relating to the Business, including all applications of the NTI Technology, constitute Trade Secrets.

9.2 **Protection of NTI Trade Secrets.** During the term of this Agreement, and following its termination and for all times thereafter, Atagencer and each of the members of Atagencer Group hereby agrees to keep secret and confidential all Trade Secrets which they now know or may have or come to know as a result of this Agreement, or the relationships between the Parties contemplated hereby. Trade Secrets shall not be disclosed by Atagencer or by any member of Atagencer Group to third parties and shall be kept secret and confidential except (i) to the extent that the same have entered into the public domain by means other than the improper actions of Atagencer or any member of Atagencer Group, or (ii) to the extent that the disclosure thereof may be required pursuant to the order of any court or any other governmental body. If a Trade Secret shall be in the public domain as a result of an act by Atagencer or by any member of Atagencer Group or any Agent thereof, then they shall nevertheless continue to keep such Trade Secret confidential.

9.3 **NTI Trade Secrecy Agreement.** Neither Atagencer nor any member of Atagencer Group nor their Agents shall at any time copy, remove from their proper location – be it within NTI or elsewhere – or retain without proper written consent, the originals or copies of any Trade Secrets. It is understood that from time to time it may be necessary that certain of the foregoing items be copied or removed from their locations; however, this should be done subject to the requirement of this Section that the original material be returned to its proper location as soon as possible and that the confidential nature and integrity of the foregoing as Trade Secrets be strictly maintained, both as to original documents and copies thereof.

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(A) Insofar as the Agents of any Party who come into contact with Trade Secrets are concerned, such Party shall cause such Agents to enter into Trade Secrecy Agreements in the form approved by NTI. Each Party shall exert its best efforts to cause its Agents to adhere to and to abide by the provisions, restrictions and limitations of the Trade Secrecy Agreements, which efforts shall include the institution and prosecution of appropriate litigation if the same is necessary and desirable.

(B) NTI shall be deemed to be a third party beneficiary of the Trade Secrecy Agreements, and each Party may, in its sole discretion, on its own behalf or derivatively and/or on behalf of NTI, directly enforce the provisions of any Trade Secrecy Agreement(s) and/or any breach thereof against any and all Agents of the other Parties who have executed the same.

9.4 **Remedies in the Event of a Violation.** In the event of any violation or threatened violation of the provisions of this Article 9 by any Party and/or its Agents, the remedy at law of NTI will be inadequate, and NTI will suffer irreparable injury. Accordingly, each Party consents to injunctive and other appropriate equitable relief without the need to post any bond, upon the institution of legal proceedings against such Party for violation or threatened violation of the provisions of this Article 9 in any Court of competent jurisdiction in order to protect Trade Secrets. Such relief shall be in addition to any other relief to which NTI may be entitled, at law or in equity, including the right of immediate termination of this Agreement.

## **ARTICLE 10**

### **CORPORATE OPPORTUNITY DOCTRINE**

10.1 **Observance of Corporate Opportunity Doctrine.** In partial consideration of the funds paid by NTI to Atagencer pursuant to this Agreement, and in consideration of the ancillary investments NTI has made and the costs NTI has incurred in developing business opportunities within the Territory pursuant to NTI's ownership of the Atagencer Technology and any New Atagencer Technology, Atagencer and each of the members of Atagencer Group hereby agree not to engage in any activity during the term of this Agreement that would negatively impact the performance of their duties under this Agreement, and they hereby agree to refer all business, scientific and technical opportunities that any of them come to know about which relate in any way to the Atagencer Technology and any New Atagencer Technology to NTI.

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10.2 **Agreement Not to Divert Resources.** In further partial consideration of the funds paid by NTI to Atagencer and the ancillary investments made and costs incurred by NTI in developing business opportunities in the Territory to commercially exploit the Atagencer Technology and any New Atagencer

Technology, Atagencer and the members of the Atagencer Group hereby agree that during the term of this Agreement they shall not directly or indirectly, in any capacity whatsoever, engage in, own, manage, operate, control, act as a consultant to, have a financial interest in, or otherwise participate in the ownership, licensing, management, operation or control of, any business that would impede, substitute, displace or divert their resources from the performance of their duties under this Agreement.

10.3 **Agreement Not to Compete.** In further partial consideration of the funds paid by NTI to Atagencer and of the ancillary investments made and costs incurred by NTI in developing business opportunities in the Territory to commercially exploit the Atagencer Technology and any New Atagencer Technology, Atagencer and each member of Atagencer Group hereby covenants and agrees that except as otherwise provided in Section 5.10 of this Agreement they shall not, directly or indirectly, on their own behalf or on behalf of any other Person: (i) deliver or provide any product competitive with the Atagencer Technology and any New Atagencer Technology (a "Competitive Product") to any Person doing business the Territory; (ii) assist any Person in developing a Competitive Product or technology in the Territory or (iii) in any way use, sell, divulge, disclose, transfer or assign the Atagencer Technology or any New Atagencer Technology to any other Person. In addition, neither Atagencer nor any member of Atagencer Group shall, directly or indirectly, for their own benefit or for the benefit of any other Person, be involved in the development, conception, marketing or reproduction of any products or technologies which would divert business from the use of the Atagencer Technology or any New Atagencer Technology or any products or technologies derived therefrom by NTI.

10.4 **Remedies for Breach.** In the event of any violation or threatened violation of the provisions of this Article 10, the Parties hereby acknowledge that NTI's remedy at law will be inadequate, and NTI will suffer irreparable injury. Accordingly, the Parties hereby consent to injunctive or other appropriate equitable relief, without the need to post any bond, upon the institution of legal proceedings therefor by NTI. Such relief shall be in addition to any other relief to which NTI may be entitled at law or in equity, including the right of immediate termination of this Agreement and the cancellation of any revenue sharing or other payments otherwise owed by NTI thereunder.

10.5 **Right to Apply NTI Trademarks.** NTI shall have the right to apply NTI's Trademarks in connection with the Atagencer Technology and the New Atagencer Technology and any Products manufactured, marketed or distributed by NTI or its Affiliates utilizing the Atagencer Technology or any New Atagencer Technology.

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10.6 **Independent Development of NTI Interests.** NTI currently has and may, from time to time, continue to develop other business interests outside the scope of the Atagencer Technology ("Independent NTI Interests") for which NTI may seek creative scientific support. In conjunction with the development of such independent business interests, NTI may, in good faith, seek creative scientific support from Atagencer and/or members of Atagencer Group, in NTI's sole discretion; but NTI shall have no obligation to seek such support from any such Person. In the event that NTI does seek creative support from Atagencer or members of Atagencer Group for any Independent NTI Interests, Atagencer and the member of Atagencer Group shall treat any and all information provided by NTI or its Affiliates to them and/or learned by them directly or indirectly, as Trade Secrets and shall be bound by the provisions of Article 11 hereof, whether or not any business relationship was concluded between NTI and any of them relating to such Trade Secrets. If mutual agreement is reached between the Parties with respect to cooperation on the development of any Independent NTI Interests, separate compensation to Atagencer and/or any member of Atagencer Group for their contributions to such Independent NTI Interests shall be agreed in writing between the Parties in advance. Such compensation may or may not include professional fees and/or royalties.

## **ARTICLE 11**

### **TERM OF AGREEMENT**

11.1 **Indefinite Term.** This Agreement shall be effective as of the Effective Date and shall, unless otherwise terminated in accordance with the provisions hereof, continue in effect for an indefinite term of years.

11.2 **Termination.** This Agreement, having become effective as of the Effective Date hereof, shall continue in effect unless:

- (A) Terminated by NTI pursuant to Section 9.4 or Section 10.4 hereof;
- (B) Terminated in accordance with Section 11.3 or Section 11.4 hereof; or
- (C) Terminated by either NTI or Atagencer by reason of a material Breach or Default of this Agreement by the other Party which has not been cured or remedied in accordance with Article 12 hereof.

11.3 **Termination Upon Change of Control of a Party.** In the event that a Change of Control of NTI or Atagencer shall occur, then the other Party or Parties may, upon six (6) months prior written notice given to the Party suffering the Change of Control, terminate this Agreement, unless the Change of Control of such Party shall have been effected upon prior notification and with the written approval of the other Party.

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11.4 **Termination Upon Bankruptcy or Insolvency.** If either NTI or Atagencer shall become bankrupt or insolvent or shall file any debtor relief proceedings, or if there shall be filed in Court against either of them legal proceedings or bankruptcy or insolvency or reorganization or for the appointment of a receiver or trustee of all or a portion of their property, or if either NTI or Atagencer makes an assignment for the benefit of creditors or petitions for or enters into an arrangement for debtor relief and such proceedings as are described aforesaid are not dismissed within a period of ninety (90) days after the institution thereof, then, at the option of the other Party, this Agreement shall forthwith terminate by written notice given to the Party who has filed, instituted or against whom any of the proceedings aforesaid have been brought; provided that if a stay has been granted by a Trustee or Judge in Bankruptcy by virtue of which this Agreement is to be deemed an executory contract, then the other Party shall continue to perform under the terms of this Agreement if:

- (A) Payments due under this Agreement for past obligations are tendered in full by the Party subject to such proceedings;
- (B) Payments due under this Agreement for present obligations are tendered by the Party subject to such proceedings pursuant to a payment schedule acceptable to the other Party; and
- (C) All other provisions of this Agreement are complied with fully by the Party subject to such proceedings.

11.5 **Payment of Amounts Due.** In the event of termination of this Agreement, each Party shall pay to the other Parties all amounts due and owing pursuant to this Agreement prior to the effective date of termination.

11.6 **Non-Release of Obligations.** The termination of this Agreement shall not release the Parties from their obligations to settle all financial accounts between themselves in cash forthwith. Notwithstanding the termination hereof, each Party shall be responsible for the performance of all of its obligations and responsibilities hereunder up to the effective date of termination. From and after termination of this Agreement, all Intellectual Property Rights of NTI shall continue to be kept secret and confidential by the other Parties.

11.7 **Cessation of Rights Upon Termination.** Upon the termination of this Agreement for reason of Default or Breach of this Agreement, all rights that the Party in Default (“Defaulting Party”) may have under or pursuant to this Agreement shall forthwith cease and terminate. If a dispute as to whether a Default or Breach exists is submitted to Arbitration under Article 13 hereof, the Parties shall jointly appoint a trustee or agent to oversee the execution of the duties hereunder and the protection of the rights hereunder of the Party allegedly in Default or Breach. If the Parties cannot agree on a trustee or agent for such purposes, the arbitrator shall forthwith appoint the same.

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## **ARTICLE 12**

### **DEFAULT**

12.1 **Event of Default.** A Default (“Default”) hereunder shall exist in the event of:

- (A) Non-payment of funds by one Party to another Party when due and owing; or
- (B) A material breach (“Breach”) by a Party of any other provision of this Agreement.

12.2 **Remedies Upon Default or Breach.** The remedies available to NTI and Atagencer in an instance of Default or Breach by the other Party shall be as follows:

(A) If a Party shall fail to make any payments required hereunder after the same are due, (other than due to governmental delays) or if it shall commit a Default or Breach in the performance of, or by failure to observe and comply with, any other material term or provision of this Agreement to be performed, observed or complied with by it, then the Party against whom such Default or Breach shall have been committed shall have the right to declare a Default and terminate this Agreement unless the Party in Default or Breach shall cure such failure to pay, or cause the same to be cured, within thirty (30) days (fifteen (15) days in case of monetary default) after receipt of written notice from the other Party, provided, however, that if the Party in Default or Breach commences to cure same within the curative period specified herein, then the right of termination shall be held in abeyance for a reasonable period of time so long as the Party in Default or Breach proceeds to cure such Default or Breach with due diligence. A Party’s right of termination shall be in addition to and not in limitation of any of his other rights at law or in equity based upon the other Party’s Default or Breach. Any notice of termination shall stipulate the effective date of termination which shall be not less than three (3) months nor more than six (6) months following the date that such notice is given.

(B) Notwithstanding the forgoing, in the event of a violation of Article 10 hereof by NTI or Atagencer, the other Party may at its sole discretion terminate this Agreement with immediate effect upon giving notice to the Party in Default or Breach of Article 10 hereof as provided herein.

12.3 **Non-Waiver of Rights.** A Party’s failure to terminate this Agreement on account of any Breach or Default by the other Party as provided in Section 12.1 or 12.2 hereof shall in no event constitute or be deemed to constitute a waiver by such Party of its right to terminate this Agreement at any time while any such Breach or Default continues (subject to the provisions of Section 12.2 hereof), or on account of any subsequent Breach or Default by a Party.

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## **ARTICLE 13**

### **DISPUTE RESOLUTION**

13.1 **Dispute Resolution by Arbitration.** All disputes (except as otherwise expressly provided in this Agreement) which may arise among the Parties during the term of this Agreement and after the termination thereof, upon failure by the Parties to amicably resolve the same after mutual good faith negotiations, shall be exclusively settled through binding arbitration including, but not limited to, the following:

- (A) A dispute as to whether a default exists;
- (B) A dispute as to whether a default entitles the non-defaulting Party to terminate this Agreement;
- (C) A dispute as to the validity of this Article 13;
- (D) A dispute relating to the construction, meaning, interpretation, application or effect of this Agreement or anything contained herein; and
- (E) A dispute as to the rights, obligations or liabilities of the Parties hereunder.

13.2 **Disputes Not Subject to Arbitration.** Notwithstanding anything to the contrary set forth in this Agreement:

(A) Arbitration may not be invoked regarding any matters expressly stated in this Agreement to require the agreement, consent or approval of all Parties.

(B) Arbitration may not be invoked if a Party violates the provisions of this Agreement relating to any of the matters set forth in Articles 9 or 10 hereof. In such event, the remedies set forth in Articles 11 and 12 hereof shall apply.

13.3 **Conduct of Arbitration Proceedings.** All arbitration proceedings shall be conducted in the English language and shall be held in Cleveland, Ohio or in any other place mutually agreeable to the Parties, under UNCITRAL Arbitration Rules. With respect to the interpretation of this Agreement, the laws of the State of Ohio shall apply. Judgment upon any award rendered by the arbitrator in favor of the prevailing party, which shall include an award concerning the payment of costs, attorneys' fees and expenses of the arbitration proceedings, may be entered in any court of competent jurisdiction, and assets may be attached in any country in the world pursuant to such judgment.

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13.4 **Designation of the Prevailing Party.** In each case in which arbitration is invoked under this Agreement, the arbitrator shall be required to designate one or the other Party as the prevailing party.

13.5 **Punitive Damages Excluded.** The prevailing party in an arbitration proceeding convened hereunder shall be awarded in arbitration all reasonable damages plus documented costs incurred in pursuing its arbitration claim, including, but not limited to, legal fees and travel expenses, but shall not be entitled to exemplary, consequential, special or punitive damages.

## **ARTICLE 14**

### **GENERAL PROVISIONS**

14.1 **Benefit of Parties.** All of the terms and provisions of this Agreement shall be binding upon the Parties executing the same and their respective heirs, personal representatives, successors and permitted assigns. Except as expressly provided herein, a Party may not assign its rights and obligations to a third party without the prior written consent of the other Parties; **provided, however**, that a Party may assign this Agreement and all of such Party's rights hereunder (or a portion of this Agreement and the rights hereunder relating thereto) to, or provide for the performance of all or part of such Party's obligations hereunder by, an entity which is an Affiliate of such Party. In such event, (i) the assignor shall unconditionally guarantee the performance and obligations of the assignee and shall not be released from its liabilities, obligations and responsibilities hereunder and (ii) the assignee shall expressly assume in writing and agree to perform such obligations, liabilities and responsibilities of the assignor.

14.2 **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.3 **Cooperation.** During the term of this Agreement, each Party shall cooperate with and assist the other Parties in taking such acts as may be appropriate to enable all Parties to comply with the terms of this Agreement and to carry out the true intent and purposes thereof.

14.4 **Index, Captions, Definitions and Defined Terms.** The captions of the Articles and Sections of this Agreement and subsections thereof are solely for convenient reference and shall not be deemed to affect the meaning or interpretation of any provisions hereof. Notwithstanding the foregoing, the Definitions set forth in Article 1 hereof, together with any other defined terms in this Agreement, as identified by their insertion in parentheses and quotation marks ("Defined Terms"), shall be incorporated herein as written, made a part hereof, and govern the interpretation of the text of this Agreement, irrespective of whether such Definitions or Defined Terms appear in the text of this Agreement before or after they are defined.

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14.5 **Waiver of Compliance.** The Party for whose benefit a warranty, representation, covenant or condition is intended may in writing waive any inaccuracies in the warranties and representations contained in this Agreement or waive compliance with any of the covenants or conditions contained herein and so waive performance of any of the obligations of the other Parties hereto, and any breach or default hereunder; **provided, however**, that such waiver must be in writing and shall not affect or impair the waiving Party's rights in respect to any other covenants, condition, breach or default hereunder.

14.6 **Force Majeure.** In the event that a Party is prevented or delayed from performing, fulfilling or completing an obligation provided for in this Agreement as a result of delays caused by strikes, lock-outs, unavailability of materials, acts of God, acts of any national, state or local governmental agency or authority of a foreign government, war, insurrection, rebellion, riot, civil disorder, fire, explosion or the elements, then the time for performance, fulfillment or completion shall be extended for a period not exceeding the number of days by which the same was so delayed. If a force majeure event shall be in existence for one year or more, then any Party shall have the right to terminate this Agreement at any time thereafter by giving at least thirty (30) days written notice of termination to the other Parties, provided that the force majeure event continues to be in effect as of the date that such notice is given.

14.7 **Notices.** All notices, requests, demands or other communications which are required or may be given pursuant to the terms of this Agreement shall be in writing and delivery shall be effective in all respects if delivered (i) by telefax promptly confirmed by letter, (ii) personally, (iii) by registered or certified air mail, postage prepaid, or (iv) by neutral commercial courier service, such as Federal Express, DHL, UPS or equivalent, as follows:

**If to Atagencer, to:**

Atagencer, LLC  
10988 Tanager Trail  
Brecksville, Ohio 44141  
Telefax 1-216-803-2520

Christine C. Gencer  
10988 Tanager Trail  
Brecksville, Ohio 44141

Ayla S. Gencer  
10988 Tanager Trail  
Brecksville, Ohio 44141

**If to NTL, to:**

Northern Technologies International  
Corporation  
Attention: Chairman  
23205 Mercantile Road  
Beachwood, OH 44122  
Telefax: 1-216-595-1741

or to such other address as may be specified in writing by any of the above.

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14.8 **Entire Agreement.** This Agreement contains the entire understanding of the Parties as of the date hereof. There are no representations, promises, warranties, covenants, agreements or undertakings other than those expressly set forth or provided for in this Agreement, and the same supersede all prior agreements and understandings between the Parties with respect to the relationships and transactions contemplated by this Agreement including, without limitation, any consulting or similar arrangement in effect at any time prior to the Effective Date of this Agreement. It is the intent of the Parties to develop the relationship established hereunder, and to amend and supplement this Agreement so as to provide for expansion both of Net Sales and of the scope of the Business with New Atagencer Technologies. Any amendment or supplement to this Agreement must, however, be clearly identified as such and set forth in writing ("Supplemental Documents"). Supplemental Documents may include corporate resolutions and/or other written exchanges between Parties, but must be manually signed, in the original, by duly authorized representatives of the Parties to constitute valid Supplemental Documents for purposes hereof.

14.9 **Validity of Provisions.** Should any part of this Agreement be declared by any court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portions, which remaining portions shall continue in full force and effect as if such instrument had been executed with the invalid portion thereof eliminated therefrom, it being the intent of the Parties that they would have executed the remaining portions without including any such part or portion which may for any reason be declared invalid. In the event that a provision of this Agreement shall be declared to be invalid, then the Parties agree that they shall, in good faith, negotiate with one another to replace such invalid provision with a valid provision as similar as possible to that which had been held to be invalid, giving due recognition to the reason for which such provision had been held invalid.

14.10 **Governmental Filings.** NTI shall be responsible for the preparation and filing of all necessary reports and or applications relating to this Agreement and the transactions contemplated hereby with each appropriate government agency in the Territory, and shall maintain all required governmental filings and permits current. Each of the Parties shall provide whatever information and documentation reasonably required of and available to it in connection with the preparation and filing of such reports.

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14.11 **Payments.** Any payment to be made to any Party pursuant to any provision of this Agreement shall be made by means of a wire transfer or by means of a deposit to a bona fide bank account as designated by such Party. The Parties shall each have the right to specify in writing any bank account to which payments due them (respectively) shall be made.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

**NORTHERN TECHNOLOGIES  
INTERNATIONAL CORPORATION**

By: /s/ Philip Lynch

Title:

/s/ Mehmet A. Gencer, Ph.D.

**MEHMET A. GENCER, Ph.D, Individually**

/s/ Ayla S. Gencer

**AYLA S. GENCER, Individually**

/s/ Mehmet A. Gencer

**MEHMET A. GENCER, Custodian for  
Berk E. Gencer under the Ohio Transfers to  
Minors Act**

**ATAGENCER, LLC**

By: /s/ Dr. Mehmet Gencer

Title:

/s/ Christine C. Gencer

**CHRISTINE C. GENCER, Individually**

/s/ Mehmet A. Gencer

**MEHMET A. GENCER, Custodian for  
Kaan E. Gencer under the Ohio Transfers  
to Minors Act**

/s/ Mehmet A. Gencer

**MEHMET A. GENCER, Custodian for  
Kerem C. Gencer under the Ohio Transfers  
to Minors Act**

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- Government of Moscow  
1 Moscow Registration  
Chamber  
**Registered on  
July 06, 2000**  
2 in Register book  
under # 31705ir1  
Chamber representative\_\_

Cherkashin V.V. (signature)

**Round Seal:** MOSCOW \* RUSSIAN FEDERATION  
Moscow Government\*Moscow Registration Chamber

**ARTICLES OF INCORPORATION**  
**of Constrained Joint-Stock Company**  
**“MostNIK”**

(new edition # 2)

MOSCOW 2000

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**1. GENERAL PROVISIONS.**

1.1. The Constrained Joint-Stock Company “MostNIK” which short name can be presented as CJSC “MostNIK” and which is hereinafter also referred to as JSC (Company) has been founded in compliance with the Federal Law “About Joint-Stock Companies” of 11/24/1995 by means of changing the name of the organizational legal form of Constrained Joint-Stock Company “MostNIK”, that was registered on May 11, 1994 by Moscow Registration Chamber under the registration number 31705 at the legal address: 111112, Russian Federation, Moscow, 7 Dushinskaya at Lefortovo division # 6901/0393 of “Sberbank of Russian Federation” in Moscow.

1.2. The Company is liable to reimburse all its obligations with all its property and it acts in the Court of Law, Arbitration Tribunal and Court of Arbitration on its own behalf.

1.3. The Company may have its letterheads, stamps, balance, checking and currency accounts, seal with indication of its full name and location, and also a trade mark, registered in line with the acting Law, an individual emblem and other means of its visual identification.

1.4. The Company shareholders include:

on American side:

- American corporation “Northern Technologies International” (previously named “Northern Instruments Corporation” hereinafter referred as NIC, which according to the United States legislation is a legal entity located at 6680 North Highway, 49, Lino Lakes, Minnesota, USA, and it is represented by its President, Mr. Philip M. Linch.

- Irina Roytman, passport series # 084954477 issued by the Passport Agency of New Orleans on April 26, 1996, her registered place of residence is at 1371 Ranchland Drive, Mayfield Heights, Ohio, 44124, USA.

The Russian Federation citizens:

- Varshal Boris Grigorievich, passport series # 43#4579170, issued by the Internal Affairs Department # 692 in Moscow and valid from 01/23/1997 till 01/23/2002, his registered place of residence is at 25 Cherry St., apt.3, Linn, Massachusetts, 01902, USA.

- Yakuboskaya Tatiana Olegovna, passport series XXII-? # 667661 issued by Police Station # 34 in Moscow on August 25, 1979, her registered place of residence is at 117393, Moscow, 58/32 Profsoyuznaya St., Build. 2, apt. 42.

**2. COMPANY NAME AND LOCATION**

2.1. Complete official name of the Company in Russian:

2.2. Location of the Company: 111112, Russia, Moscow, 7 Dushinskaya St.

Mailing Address: 111112 Moscow, 7 Dushinskaya St.

**3. GOALS OF THE COMPANY'S ACTIVITY.**

3.1. The Company's activity is aimed at meeting general public demand for goods and services, development of export and import of high technologies and also making its profit.

3.2. The subject of the Company's activity is:

- marketing and selling rust-preventing film and hard materials made of polyethylene matter in the form of boxes, tubes and others in the territory of the Russian Federation and that of other CIS (Commonwealth of Independent States) countries;

- joint activity aimed at founding new enterprises to manufacture production and technical goods based on the latest achievements of science and technology, including those processing recycled raw materials;

- collection of industrial waste and its utilization and realization;
- services related to financing and crediting of manufacturing and commercial projects;
- environment protection services;

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- services in the sphere of management and marketing;
  - commercial, factorial and selling-purchasing activity;
  - conduct scientific-engineering designs and implement them;
  - offering consulting services, improving personnel skills, training and retraining of specialists in the Russian Federation and abroad;
  - creation of charity funds, organizing and participating in the events aimed at offering a helping hand to invalids and low income individuals;
  - participation in foreign-economic activity including export-import and re-export operations;
  - any other kinds of activity in line with the Company goals which are not forbidden by Law.

The Company's activities are not limited to the ones specified in Articles of Incorporation. The deals outside the limits of Articles of Incorporation activity if they do not contradict to the acting Law are also acceptable.

3.3. In order to reach the goals the Company:

- acts as a founder of Joint-Stock companies and partnerships, buys safety stocks and shares of Joint-Stock companies and partnerships;
- contracts organizations, enterprises, companies and individuals to do work and offer services in accordance with the subject of the Company's activity;
- in accordance with the acting Law purchases and sells patches of land, realties, needed raw materials, materials, machines and equipment both in the Russian Federation and abroad;
- possesses and offers for lease patches of land, realties, machines and equipment;
- develops commercial ties with legal entities and individuals including those who live abroad;
- uses bank credits;
- establishes divisions and agencies in line with the acting Law.

The Company employees are subjects of social and medical insurance and also social benefits prescribed by Law. The company makes payments for social and medical insurances following the procedures and in amounts established by the acting Law.

#### 4. COMPANY LEGAL POSITION.

4.1. The Company is a legal entity and it has in its possession separate property that is reflected in its accounting balance sheet. It can on its own behalf acquire and make use of its property rights and personal non-property rights, bear responsibility and act in capacity of either Plaintiff or Respondent in the Court of Law.

4.2. The Company has civic rights and carries the burden of responsibility necessary to conduct any kind of activity which is not forbidden by Federal Laws.

4.3. The Company acts in economic and other spheres in line with the acting Law and it has its individual balance, checking, currency and other kinds of accounts in the enterprises of the Russian Federation bank system and it makes payments outside Russia in both Russian and foreign currency.

4.4. The Company is liable for its obligations with all the assets at its possession. The state and its organizations are not responsible for the Company's obligations and equally the Company is not responsible for any obligations of the state and its organizations.

4.5. The Company is not responsible for the obligations of its shareholders.

4.6. The shareholders are not responsible for the Company's obligations and they take the risk of losing money as a result of the Company's activity within the limits of their share's value. The shareholders who have failed to pay for their shares in full are subject of joint responsibility for the obligations of the Company within the limits of the outstanding value of their shares.

4.7. If the Company's insolvency (bankruptcy) has been caused by actions (or lack of actions) on behalf of shareholders or other people who were legally authorized to give commands obligatory to all employees of the Company or had any other option to guide its activity then those shareholders and the other people may face appendant responsibility for the Company's obligation in case the latter has no assets enough to make the payments.

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#### 5. ASSETS OF THE COMPANY.

5.1. Initially assets of the Company are formed with the assets provided by shareholders in the form of payment for their shares.

5.2. Payments for shares can be made with bankrolls, securities, other valuable items or with vested or other interests that have a certain money value. Assessment in monetary terms of the assets presented as payment for shares can be performed on consent between shareholders of the Company

#### 6. COMPANY FUND.

6.1. In order to ensure the Company's activity there has been established the Authorized capital in the amount of forty thousand (40,000) denominated Rubles. The Statutory Fund is formed with forty **(40) ordinary nominal shares with a nominal value of one thousand (1,000) denominated Rubles each.**

6.2. The increase of the Authorized capital of the Company can be made in accordance with the acting Law.

6.3. The Company has created reserve, borrowed and other funds which were found necessary for its functioning and social benefits of the employees.

6.4. The Company Reserve Fund is being formed through annual assignments until its value reaches not less than 15% of the Authorized capital. The amount of the annual assignments directed into the Reserve Fund may not be less than 5% of the total net profit.

6.5. Using of the Reserve Fund is allowed in exceptional situations. A decision to use a sum of money from the Reserve Fund can be taken by a general shareholders meeting.

6.6. The Reserve Fund is meant to cover losses of the Company and also to retire bonds or for purposes of buying out shares of the Company in the situation when no other means are available. The Fund may not be used for other purposes.

6.7. A list of other funds and procedures of their creation are defined with a special Provision approved by a general shareholders' meeting.

## **7. COMPANY SHARES.**

7.1. Shares are issued by the Company following the form approved by a general shareholders' meeting.

7.2. The Company issues ordinary nominal shares in un-document form. Shareholders' rights for the shares are specified in the shareholder register.

7.3. An ordinary share gives one vote at a general shareholders' meeting and the right to receive dividends; in case of the Company's dissolution they will give the right to obtain a portion of its assets.

## **8. PURCHASING AND DISTRIBUTION OF SHARES.**

8.1. A person who has paid in full the price of his shares may get a certificate. A lost certificate can be replaced with a new one for the payment of 10% of his shares' face value.

8.2. A share may be also obtained through an agreement with its holder, it may be also got through right of succession (for ordinary citizens) or through the procedure of succession (for legal entities) and also on any other grounds in accordance with the acting Law and this Articles of Incorporation.

8.3. Alienation of shares within the first six months of the Company functioning requires consent of the Company represented in this case with its highest-level body if other procedure is not prescribed by the acting Law.

8.4. A shareholder has to make a full payment for his shares within the term which has been imposed by a general shareholders' meeting.

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In case of failure to pay for the shares within the specified period of time a shareholder shall pay for the period of delay with the amount of 10% of the annual interest on the delayed sum. Failure to pay for the shares within a month after the imposed term gives the Company the right to sell them at its discretion.

## **9. BOND ISSUE.**

9.1. The Company issues both registered and payable to bearer bonds. Holders of registered bonds are listed in a special register book.

9.2. A lost registered bond can be replaced with payment of 10% of the bond face value.

## **10. DISTRIBUTION OF PROFITS AND COVER OF LOSS. SHARE DIVIDENDS.**

10.1. The Company profit comes as a result of its economical activity. Balance sheet and net profits are calculated in line with the procedure prescribed by the acting Law and also by a special Provision on funds and profit distribution, developed by the Company. A portion of the Company's profit (on discharging of taxes) is kept under control of the Company and its management distributes it for funds and share dividends in accordance with the Company's Provision on Funds and Profit Distribution and the acting Law.

10.2. Dividends can be paid quarterly, half-annually or annually. An interim dividend can be declared at a general shareholders' meeting. Final dividend is to be declared by general shareholders' meeting based on the achievements for the current year and taking into account the interim dividends already paid.

10.3. The Company shall pay the declared dividend. The dividends are paid with cash or with some other assets.

10.4. A resolution to pay dividends, their amount and form of the payment for each category of the shares is to be taken by a general shareholders' meeting. Amount of annual dividends may not be less than the amount paid as interim dividends. A general shareholders' meeting can take a resolution not to pay any dividends.

10.5. The date when the dividends will be paid is fixed by a general shareholders' meeting.

10.6. The Company does not have the right to make a decision to pay (declare) dividends on the shares:

- until the whole amount of the Authorized capital is paid;
- earlier than it has bought out all the shares in the situation when the Law requires to do it;
- if at the moment when dividends should be paid the Company shows indications of its insolvency (bankruptcy) as they defined in the Legal Acts of the Russian Federation on Insolvency (bankruptcy) or the mentioned indications can appear as a result of the dividend payment.
- if the value of its net assets is less than its Authorized capital and the Reserve fund or it will become less as a result of the dividend payment.

## **11. SHAREHOLDERS, THEIR RIGHTS AND RESPONSIBILITIES.**

11.1. Natural and legal persons both Russian and foreign may be shareholders of the Company. The number of shareholders shall not exceed fifty.

11.2. Each ordinary share provides its owner (shareholder) with equal rights. The shareholders in line with the acting Law can participate in a general shareholders' meeting with the right to vote on all issues of his/her competence; he/she also has the right to receive dividends and in case of the Company

dissolution he/she is to receive a portion of its assets.

11.3. The shareholders have the following rights:

- be elected into management bodies of the Company;
- participate in the Company's activity management;
- have access to the information reflecting the Company's activity;

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- go to the Court of Law, Arbitration tribunal and Court of Arbitration in case of disputes, related to the Company's activity in the situations when the issues could not be settled through negotiations;
  - participate in profit distribution;
  - receive dividends on his/her shares.

11.4. The shareholders have the following responsibilities:

- to pay in full for their shares within the term and following the procedures imposed by Articles of Incorporation and the Agreement;
- make use of the Company property the way it should be used and take measures to keep it in good condition;
- to comply with provisions of Articles of Incorporation and with the resolutions taken by a general shareholders' meeting;
- keep in secret all confidential information related to the Company's activity.

11.5. The Company has to fill out the Shareholders register and keep it in accordance with legal Acts of the Russian Federation not later than one month since the date of its state registration.

## **12. COMPANY MANAGEMENT BODIES.**

12.1. The superior body of the Company management is a general meeting of its shareholders.

12.2. An annual general shareholders' meeting is to be held not earlier than two months and not later than six months since the end of the Company's fiscal year.

12.3. An annual general shareholders' meeting considers an issue of electing the Company executive body and the Auditory commission; it also appoints the Auditor of the Company and considers the Company annual report, which is presented by its executive body and also other documents. Conducted, besides annual, general shareholders' meetings are considered to be the highest priority.

12.4. The date, the agenda and procedure of holding a general shareholders' meeting, procedure of notifying shareholders about it, list of the materials (information) which is to be presented to shareholders during preparation of the general shareholders' meeting must be approved by a general shareholders' meeting in accordance with provisions of the Federal Law on Joint-Stock companies.

12.5. The Chairman of the meeting should be elected from the shareholders. He shall not take any positions inside other bodies that run the Company. In case of equal number of votes a vote by the Chairman can be a casting one.

12.6. All issues on the agenda should be settled through voting process. If a shareholder fails to attend the meeting he should give a power of attorney to his representative. If such a power of attorney has not been presented, the shareholder is considered as the one who did not participate in the voting.

12.7. Making changes and amendments to Articles of Incorporation, or approval of a new edition of Articles of Incorporation, reorganization of the Company, its dissolution, appointment of members of a liquidation commission, approval of an interim and final liquidation balances, assessment of a maximum size of the declared shares, striking big bargains connected with acquisition and alienation of the Company assets should be approved by a general shareholders' meeting with the three fourth of votes of shareholders, who are holders of the shares participating in the voting which attended the general shareholders' meeting.

12.8. A shareholder and his representative can attend a meeting only in case when all the accounts related to their shares have been settled.

12.9. Competency of the general shareholders' meeting covers the following issues:

- a) making amendments and additions to Articles of Incorporation and approving a new edition of Articles of Incorporation;
  - b) reorganization of the Company;
  - c) dissolution of the Company, appointment of a liquidation commission and approval of interim and final liquidation balances;
- 
- d) considering the number of members of the executive body, electing the members and termination of their authority before the appointed time;
  - e) considering of the ultimate size of declared shares;
  - f) increasing of the Authorized capital by means of increasing the shares' face value or by means of additional stock flotation;
  - g) decreasing of the authorized capital by means of decreasing the shares' face value, with purchasing by the Company a portion of the shares in order to decrease their total number or by means of retiring bonds which had not been paid in full pursuant to the Article 29 of the Federal Law on Joint-Stock companies, and also by means of retiring by the Company of acquired and bought out stocks in accordance with Paragraph 3 of Article 72 and paragraph 2 of the Paragraph 6 of Article 76 of the Federal Law on Joint-Stock companies;
  - h) formation of an executive body of the Company, termination of its authority before the appointed time if in accordance with Articles of Incorporation settling these kinds of issues is not a subject of competence of the Company's Board of Directors;
  - i) election of an auditory commission, the Auditor, and termination of their authority before the appointed time.

- j) commissioning the Company Auditor;
- k) approving of annual reports, accounting balances, balances of gains and losses and distribution of the Company's profits and losses;
- l) making a decision not to use the shareholder's right of priority which is specified in the Article 40 of the Federal Law on Joint-Stock companies to acquire shares of the Company or its securities;
- m) procedure of holding the general shareholders' meeting;
- n) formation of a returning board;
- o) considering a form of materials (information) which the Company will use to notify its shareholders including selection of publishing companies in case such a notice should be published in the press;
- p) splitting and consolidation of shares;
- q) striking big bargains connected with acquisition or alienation of the Company's assets in the cases that have been stipulated in the Law on the Joint-Stock companies;
- r) striking bargains presenting special interest in the cases that have been stipulated in the Law (Article 83 of the Federal Law on Joint-Stock companies);
- s) acquiring and redemption of placed shares of the Company in situations that have been stipulated in the Law on Joint-Stock companies;
- t) participating in holding companies, financial and industrial groups and other commercial organizations;
- u) considering other matters that have been stipulated in the Law on Joint-Stock companies;

- Issues specified in Paragraphs from a) to c) are subject of exclusive competence of a general meeting and they cannot be settled by an executive body of the Company and related to section 12.9 of the current issue.

The issues related to the exclusive competence of the general shareholders' meeting can not be offered for settlement by the Board of Directors (Supervisory Board) of the Company except for the issues related to making changes and additions to Articles of Incorporation, that are connected to the increase of Authorized capital of the Company in accordance with the Articles 12 and 27 of the Federal Law on Joint-Stock companies.

12.10. General Shareholders' meeting has no right to discuss and make decisions on issues which are not within its competence according to the Federal Law on Joint-Stock companies.

12.11. The procedure of adopting resolutions at a general shareholders' meeting is the following:

- except for the cases specified by the Federal Law the right to vote on the issues on agenda of a general shareholders' meeting will belong to:

shareholders who hold preference shares of the Company in cases stipulated by the Federal Law on Joint-Stock companies and Articles of Incorporation of the Company;

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shareholders who hold ordinary shares of the Company;

A voting share of the Company is an ordinary or preference share that gives to its holder the right to vote the issues put on the vote. In case when a preference share provides its holder with more than one vote at the moment of counting votes each vote of such a share is counted as a separately voting share.

- Resolution by a general shareholders' meeting on an issue which was put on vote can be adopted with majority of shareholders namely those who hold the voting shares of the Company and who attended the meeting if for a resolution to be adopted the Federal Law has not demanded a bigger number of shareholder's votes.

Counting votes at a General shareholders' meeting on the issue that was put on the vote when the right to vote is given to holders of both ordinary and preference shares of the Company should cover all voting shares combined if a different procedure has not been imposed by the Federal Law on Joint-Stock companies and Articles of Incorporation of the Company.

- Resolutions on the issues specified in the Paragraphs a), l), and o)-t) of the Provision 12.9 of the Article can be adopted by a General shareholders' meeting only when they had been proposed by the Board of Directors (Supervisory Board) of the Company if another procedure has not been imposed by Articles of Incorporation of the Company.

- Resolutions on the issues specified in the subparagraphs a)-c), e) and t) of the Provision 12.9 of the Article can be adopted by a General shareholders' meeting by majority of three fourth of the voting shareholders, holders of the voting shares, who took part in the general shareholders' meeting.

- The procedure of adopting resolutions at the shareholders' meeting on the procedure of holding the General shareholders' meeting is guided by Articles of Incorporation or by in-house documents of the Company which had been adopted by resolutions of general shareholders' meetings.

- General shareholders' meeting has no right to adopt resolutions on the issues that have not been included into the agenda of the meeting and it also cannot change the agenda.

- Information on resolutions adopted by the General shareholders' meeting and also voting results should be brought to the shareholders attention following the procedures and within the terms specified in the Federal Law on Joint-Stock companies and Articles of Incorporation of the Company, but not later than 45 days since the date the resolutions have been adopted.

- A shareholder has the right to appeal in the Court of Law a resolution which has been adopted by a shareholders' meeting if it was done in violation of the Federal Law on Joint-Stock companies or other Legal Acts of the Russian Federation and Articles of Incorporation of the Company in case if he did not participated in the general shareholders' meeting or voted against the resolution and the latter violates his rights or legitimate interests. On considering the situation from all points of view the Court has the right to uphold the disputed resolution if the voting by the shareholder could not affect results of the voting and the violations committed are not sufficient enough and the resolution has not resulted in losses to the shareholder. 12.12. General meeting elects the Board of Directors.

- The Board of Directors conducts general management of the Company's activity, excluding decision making on the issues that are subject of exclusive competence of the general shareholders' meeting pursuant to the Federal Law on Joint-Stock companies.

- Based on a resolution by the general shareholders' meeting members of the Board of Directors during their period in office can receive bonus payments and (or) their expenses caused by their performing the duties of members of the Board of Directors shall be reimbursed. The amount of such bonus payments and reimbursements should be fixed in a resolution by a general shareholders' meeting.

12.13. The competence of the Board of Directors covers issues related to general aspects of managing the Company's activity and it excludes the issues that the Federal Law on Joint-Stock companies defines as subjects of exclusive competence of the general shareholders' meeting.

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The exclusive competence of the Board of Directors covers the following issues:

- a) selection of priority spheres of the Company's activity;
- b) convening of annual and special general shareholders' meetings except for the situations specified in Paragraph 6 Article 55 of the Federal Law on Joint-Stock companies;
- c) approval of a general shareholders' meeting agenda;
- d) specifying the date by which the list of the shareholders with the right to vote at the general shareholders' meeting should be completed and settling other issues in its competency as it is specified in Chapter 7 of Federal Law on Joint-Stock companies and related to preparation and holding of the general shareholders' meeting;
- e) bringing to the General shareholders' meeting consideration the issues specified in subparagraphs b), l), o) - t) of the Provision 12.9 of the article;
- f) increase in the Authorized capital of the Company by means of increasing shares' face value or by means of the Company stock floatation within the number and category (type) of the declared shares if it has received such a right in accordance with Articles of Incorporation or by resolution of a general shareholders' meeting;
- g) floatation of the Company bonds and other securities if other measures have not been provided by Articles of Incorporation of the Company.
- h) calculation of the Company assets market value in accordance with Article 77 of the Federal Law on Joint-Stock companies;
- i) acquisition of the shares floated by the Company and also bonds and securities in the cases specified in the Federal Law on Joint-Stock companies;
- j) creation of an executive body of the Company and termination of its functioning ahead-of-schedule, fixing bonus payments for its members and reimbursements if Articles of Incorporation define that as a sphere of their competence;
- k) recommendations on amount of bonus payments and reimbursements for members of the Auditory commission (the Auditor) and fixing the fee for an auditor's services;
- l) recommendations on amount of a dividend on the shares and procedure of its payment;
- m) using of the Reserve and other funds of the Company;
- n) approval of in-house documents of the Company which specify pattern of the Company managing bodies activity;
- o) use of reserves other company funds.
- p) making decisions on the Company's participation in other entities excluding the case provided in the subparagraph t) of the Provision 12.9 of the article;
- q) striking big bargains connected with acquisition or alienation of the Company's assets in cases stipulated in Chapter 10 of the Law on the Joint-Stock companies;
- r) striking bargains stipulated in Chapter 11 of the Law on the Joint-Stock companies;
- s) other issues stipulated in the Law on the Joint-Stock companies;

The issues that appear the subjects of the Company's Board of Directors exclusive competence can not be brought to the consideration by an executive body of the Company.

12.14. The meeting appoints the Company's General Director who represents the sole executive body of the Company.

The executive body's competence covers all issues of managing the Company's everyday activity excluding the ones that are subjects of the exclusive competence of the general shareholders' meeting.

The executive body of the company arranges a procedure of implementation of resolutions of the general shareholders' meeting and the Board of Directors.

The General Director acts on behalf of the Company without a Power of attorney including among others his acting in the Company's interests, striking bargains on behalf of the Company, approval of its personnel list, issuing instructions and guidelines which are binding for all the Company's personnel.

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12.15. General Director of the Company presents to a general shareholders' meeting for approval members of the Executive Committee that consists of the General Director Deputy and heads of the main departments of the Company.

The Executive Committee is a collective executive body of the Company acting in line with Articles of Incorporation of the Company and also an in-house document which has been approved by the Board of Directors and it specifies terms and procedures of calling and holding the Committee's meetings and also procedure of its decision making. At the Executive Committee meetings the General Director acts as its Chairman; he signs all the documents on behalf of the Company and signs the minutes of the Executive Committee.

### **13. REGISTRATIONS, ACCOUNTING AND INSPECTION.**

13.1. With a view of monitoring financial and economic activity of the Company a general meeting of shareholders elects members of Auditory Commission (the Auditor) of the Company.

13.2. The procedure of the Company's activity is specified in an in-house document of the Company approved by a general shareholders' meeting.

13.3. Inspection (auditing) of financial and economic activity of the Company is held on availability of results of the Company's activity for the year and also at any time on initiative of the Auditory Commission, resolution of a general shareholders' meeting and at demand by a shareholder (shareholders) who holds not less than 10% of the voting shares.

13.4. At request by the Auditory Commission of the Company the persons working as officers in managerial bodies present documents on financial and economic activity of the Company.

13.5. The Auditory Commission has the right to demand that an out-of-time general shareholders' meeting should be convened.

13.6. The Auditory Commission members can not be at the same time members of the Executive Committee or act in capacity of members of managerial bodies of the Company.

13.7. The shares that are held by members of the Executive Committee or by the persons who have positions in managerial bodies of the Company can not participate in voting to elect members of the Auditory Commission.

13.8. The Auditor performs control of financial and economic activity of the Company in accordance with the Legal Acts of the Russian Federation and in compliance with the Agreement concluded between him and the Company.

13.9. A general shareholders' meeting approves the Auditor of the Company. His fee can be fixed by the general shareholders' meeting.

13.10. The Company's fiscal year runs from January 1 till December 31.

13.11. The responsibility for arranging, condition and trustworthiness of the Company's accounting, presenting an annual report and other financial reports to designated bodies and also reports to shareholders, creditors and into mass media organizations on the Company's activity on timely basis is laid on the executive body of the Company in accordance with the Federal Law on Joint-Stock companies and other Legal Acts of the Russian Federation.

13.12. Trustworthiness of the information can be confirmed by the Auditory Commission.

13.13. The Company shall keep the following documents:

- Articles of Incorporation of the Company, amendments and additions to the Articles of Incorporation, resolutions on its creation, and certificate of the state registration of the Company;
- documents supporting the Company's rights for its assets on its balance;
- in-house documents of the Company which have been approved by a general shareholders' meeting and by other executive bodies of the Company;
- provisions related to a division or an agency of the Company;
- annual financial report;
- prospect of the Company's shares emission;
- accounting documents;
- documents containing financial reports which should be submitted to designated bodies;

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- minutes of general shareholders' meetings, and also meetings of the Auditory Commission and a collective managerial body of the Company (Executive Commission);
  - lists of affiliated persons of the Company containing information on the number and category of the shares they hold;
  - conclusions by the Auditory Commission, the Auditor and also by the state and municipal bodies of fiscal control;
  - other documents provided by the acting Legislation, the Articles of Incorporation, in-house documents of the Company, resolutions of general shareholders' meetings and managerial bodies of the Company.

13.14. The Company keeps the abovementioned documents in places at the location of an executive body or in some other place that is known and accessible to each of the shareholders, creditors and other persons who may have interest in obtaining this kind of information.

#### **14. LIQUIDATION AND REORGANIZATION OF THE COMPANY.**

14.1. The Company's activity can be terminated:

- pursuant to the ruling by a state Arbitration Court or the Court of Law when the Company becomes insolvent or in the cases of systematic or defying violations of the Law;
- pursuant to the resolution by a general shareholders' meeting of the Company.

14.2. Voluntary termination of the Company can be done by a Liquidation Commission appointed by a meeting of shareholders.

14.3. Since the moment the Liquidation Commission was appointed it receives the authority to control the Company's affairs. The Liquidation Commission evaluates available assets of the Company, finds its debtors and creditors and makes payments to them. It also generates a liquidation balance that is to be presented to a shareholders' meeting.

14.4. Monetary funds at the Company's possession including earnings received from selling out of its property during the liquidation, after paying due budget sums and wages to the employees are distributed by creditors and the liquidation Commission between shareholders of the Company following the procedures and meeting conditions specified in an agreement between the shareholders and prescribed by the acting Law.

14.5. The Liquidation Commission is responsible with its property for the damage inflicted on the Company, its shareholders and also third parties in accordance with the acting Law.

14.6. During reorganization of the Company all of the documents (managerial, financial, economical, those related to the staff and others) are to be transferred to a successor in accordance with the existing regulations.

In the situation when a successor is not available the documents which are subject of permanent keeping or those of scientific or historic importance should be transferred to a state storages or archives of the conglomerate "Mosgorarkhiv"; documents related to the staff (orders, personal files and cards, personal accounts et al) should be sent for keeping to the Archive of the Administrative district in which territory the Company is located. Assignment and arranging of the documents should be performed by the personnel of the Company or at its expense in accordance with requirements by achieve bodies.

## 15. MAKING CHANGES AND ADDITIONS TO THE ARTICLES OF INCORPORATION.

15.1. Making changes, additions and approval of a new edition of the Articles of Incorporation of the Company can be performed following the resolution of a general shareholders' meeting that has been adopted by majority of three fourth of the voting shares.

15.2. The changes and additions and also a new edition of the Articles of Incorporation take effect for a third party persons only starting the moment of a state edition.

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### SHAREHOLDERS:

Varshal B.G. (signature)

Roytman I. (signature)

Yakuboskaya T.O. (signature)

Philip M. Linch (signature)

On behalf of the Company "Northern Technologies International"

Government of Moscow

1 Moscow Registration

Chamber

**Totally Laced up and**

**Numbered\_\_11 pages.**

6 **June 28, 2000**

Chamber representative\_\_

**Round Seal:** MOSCOW \* RUSSIAN FEDERATION  
Moscow Government\*Moscow Registration Chamber

**Round Seal:** MostNIK \* Constrained Joint-Stock  
Company, Registration number 31705, Moscow

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**Northern Technologies International Corporation  
Code of Ethics**

Maintaining the highest standards of conduct and ethical behavior requires the personal commitment of every employee, officer and director of Northern Technologies International Corporation (“NTIC”). This Code of Ethics is intended to document NTIC’s policy of promoting honest and ethical conduct and deterring wrongdoing by each of its employees, officers and directors and therefore this Code of Ethics applies to all of NTIC’s employees, officers and directors.

**POLICY STATEMENT**

It is the policy of Northern Technologies International Corporation to follow the highest business ethics and standards of conduct. It is the obligation of every NTIC employee, officer and director to be honest, trustworthy, conscientious, and dedicated to the highest standards of ethical business practices.

**CODE OF BUSINESS ETHICS**

- Employees, officers and directors shall conduct their activities and duties as an employee, officer or director with the highest principles of honesty, integrity, truthfulness and honor. Employees, officers and directors shall not only avoid actual impropriety, but also use their best efforts to avoid the appearance of any impropriety.
  - Employees, officers and directors shall not make, recommend, or cause to be taken any action that such person knows or believes to be in violation of any law, regulation or corporate policy.
  - Employees, officers and directors shall report to NTIC, or the audit committee of NTIC’s board of directors, known or suspected violations of this Code of Ethics or concerns regarding questionable accounting or auditing matters and shall be afforded the ability to submit any such known or suspected violations or concerns on a confidential, anonymous basis without reprisal by NTIC.
  - Employees, officers and directors shall not use their position of employment, or position as an officer or director, to force, coerce, harass or intimidate other persons, especially subordinates.
  - Employees, officers and directors representing NTIC to third parties shall not allow themselves to be placed in a position in which an actual or apparent conflict of interest exists.
  - Employees, officers and directors will exercise great care in situations in which a preexisting relationship exists between such person and an industry representative or government employee or official of an agency with whom NTIC has an existing or potential business relationship. In such a situation, the employee, officer or director shall immediately report the relationship to management or the audit committee of NTIC’s board of directors and, pending no further direction by NTIC, the employee, officer or director shall not take any further action associated with the business in which the personal relationship exists. If there is any doubt as to the propriety of the relationship, the employee, officer or director shall report the relationship to management or the audit committee of NTIC’s board of directors so as to avoid even the appearance of impropriety.
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- Employees, officers and directors shall not use or disclose NTIC’s trade secrets, proprietary or confidential information, or any other confidential information gained in the performance of NTIC duties as a means of making private profit, gain or benefit.
- Employees, officers and directors shall promptly bring to the attention of either of the co-Chief Executive Officers or the audit committee of NTIC’s board of directors any information of which such person has knowledge concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect NTIC’s ability to record, process, summarize and report financial data or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the NTIC’s financial reporting disclosures or internal controls.

**SUMMARY**

NTIC’s reputation and its actions as a legal entity depend on the conduct of its employees, officers and directors. Each employee, officer and director must commit to act according to the highest ethical standards and to know and abide by applicable laws. We each must assure that our personal conduct is above reproach and complies with the highest standards of conduct and business ethics.

Witnessed By:

Signature	Date	Signature	Date
Printed or Typed Name		Printed or Typed Name	
Organization/Department		Organization/Department	
Position		Position	

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**SUBSIDIARIES OF THE REGISTRANT**

<u>Name of Subsidiary</u>	<u>State or Other Jurisdiction of Incorporation or Organization</u>	<u>Ownership Interest</u>	<u>Names Under Which Subsidiary Does Business</u>
NTI Facilities, Inc.	Ohio	100%	Same

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-33931 and No. 333-32596 of Northern Technologies International Corporation on Form S-8 of our report dated October 29, 2004, appearing in the Annual Report on Form 10-KSB of Northern Technologies International Corporation for the fiscal year ended August 31, 2004.

/s/ Virchow, Krause & Company, LLP

Minneapolis, Minnesota  
November 22, 2004

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-33931 and No. 333-32596 of Northern Technologies International Corporation on Form S-8 of our report dated December 11, 2003, appearing in the Annual Report on Form 10-KSB of Northern Technologies International Corporation for the fiscal year ended August 31, 2004.

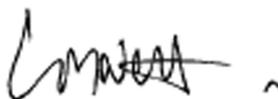
/s/ Deloitte & Touche LLP

Minneapolis, Minnesota  
November 22, 2004

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

I, Philip M. Lynch, certify that:

1. I have reviewed this annual report on Form 10-KSB 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers 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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's fourth quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal controls over financial reporting.



Date: November 22, 2004

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Philip M. Lynch  
Chief Executive Officer and  
Chairman of the Board of Directors

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

I, Matthew C. Wolsfeld, certify that:

1. I have reviewed this annual report on Form 10-KSB 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 small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officers 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)) for the small business issuer 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 small business issuer, 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) Evaluated the effectiveness of the small business issuer'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
  - (c) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's fourth quarter that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer'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 small business issuer'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 small business issuer's internal controls over financial reporting.



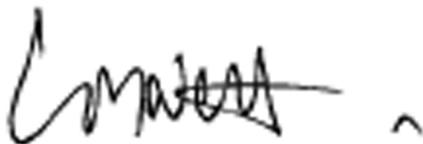
Date: November 22, 2004

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

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northern Technologies International Corporation (the "Company") on Form 10-KSB for the period ending August 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip M. Lynch, 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.



Chief Executive Officer and Chairman of the Board  
of Directors (principal executive officer)

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Philip M. Lynch

Lino Lakes, Minnesota  
November 22, 2004

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Northern Technologies International Corporation (the "Company") on Form 10-KSB for the period ending August 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew C. Wolsfeld, Chief Financial 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.

Chief Financial Officer and Corporate Secretary  
(principal financial officer and principal accounting officer)



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Matthew C. Wolsfeld, CPA

Lino Lakes, Minnesota  
November 22, 2004