

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):

May 3, 2006

**NORTHERN TECHNOLOGIES INTERNATIONAL
CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation)

001-11038
(Commission
File Number)

41-0857886
(I.R.S. Employer
Identification Number)

6680 N. Highway 49
Lino Lakes, MN
(Address of Principal Executive Offices)

55014
(Zip Code)

(651) 784-1250
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, If Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Section 1 – Registrant’s Business and Operations

Item 1.01. Entry into a Material Definitive Agreement

On May 3, 2006, Northern Technologies International Corporation (“NTIC”) completed the first step in its purchase of certain real estate and a 40,000 square feet building on such real estate for a new corporate headquarters located in Circle Pines, Minnesota (the “New Facility”). As previously announced, NTIC entered into a Purchase Agreement in June 2005 with Circle Pines Mainstreet II, LLC pursuant to which NTIC agreed to purchase the real estate. A copy of the Purchase Agreement, as amended subsequent to June 2005 (as amended, the “Purchase Agreement”), is filed as Exhibits 10.1 through 10.4 of this Current Report on Form 8-K and are hereby incorporated by this reference.

Subsequent to June 2005, NTIC decided to structure the real estate purchase and its expected sale of its current corporate headquarters in such a manner so as to qualify as a like-kind exchange within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended (the “Code”). No assurance can be given, however, that NTIC will be able to sell its current corporate headquarters in a timely manner or at an acceptable price or that the transaction will qualify as a Code Section 1031 like-kind exchange. To facilitate the Code Section 1031 like-kind exchange, NTIC entered into a Qualified Exchange Accommodation Agreement (the “Exchange Agreement”) on May 3, 2006 with Northern Technologies Holding Company, LLC (the “Exchange Company”), a Minnesota limited liability company owned by First American Exchange Company, LLC, which is acting as a qualified intermediary within the meaning of Code Section 1031. Pursuant to the Exchange Agreement, NTIC assigned its rights, but not its obligations, in the Purchase Agreement to the Exchange Company and the Exchange Company agreed to borrow monies to purchase the New Facility and then lease the New Facility to NTIC. Upon NTIC’s sale of its current corporate headquarters to a third party, with First American Exchange Company acting as intermediary, the Exchange Company will sell the New Facility to NTIC, and NTIC will assume the loan incurred by the Exchange Company to finance the purchase of the New Facility.

The purchase price of the New Facility was \$1,475,000 and was financed with the net proceeds of a secured term loan in the principal amount of \$1,275,000 provided to the Exchange Company by National City Bank and guaranteed by NTIC and cash provided to the Exchange Company from NTIC pursuant to an interest-free promissory note and mortgage. On May 3, 2006, the Exchange Company issued to National City Bank a secured term note in the principal amount of \$1,275,000 (the “Note”). The Note matures on May 3, 2011, bears interest at a fixed rate of 8.01% and is payable in 59 monthly payments equal to approximately \$10,776.50 (inclusive of principal and interest) commencing June 1, 2006. All of the remaining unpaid principal and accrued interest is due and payable on the maturity date. The Note is secured by a first lien on the New Facility pursuant to a Mortgage dated as of May 3, 2006 between the Exchange Company and National City Bank (the “Mortgage”) and is guaranteed by NTIC (the “Guaranty”).

The Note contains standard covenants, including affirmative financial covenants, such as the maintenance of a minimum debt service coverage ratio, and negative covenants, which, among other things, limit the incurrence of additional indebtedness, loans and equity investments, disposition of assets, mergers and consolidations and other matters customarily restricted in such agreements. The Note also contains customary events of default, including, without limitation, payment defaults, material inaccuracy of representations and warranties, covenant defaults, bankruptcy and involuntary proceedings, and monetary judgment defaults.

It is expected that the Exchange Company will obtain a construction loan of approximately \$900,000 to finance improvements to the New Facility, which loan would also be guaranteed by NTIC. Final terms of this loan, however, have not yet been finalized.

National City Bank is the lender under NTIC's revolving credit facility, for which National City Bank receives customary compensation. In addition, National City Bank performs lending and/or commercial banking services for NTIC and its subsidiaries, for which services National City Bank receives customary compensation and reimbursement of expenses.

The descriptions of the Purchase Agreement, Exchange Agreement, Note, Mortgage and Guaranty set forth above are qualified by the Exchange Agreement, Note, Mortgage and Guaranty filed as Exhibits to this Current Report on Form 8-K and are hereby incorporated herein by this reference.

Section 2 — Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets

The information described above under "Section 1 – Registrant's Business and Operations – Item 1.01 Entry into a Material Definitive Agreement" is incorporated herein by this reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

The information described above under "Section 1 – Registrant's Business and Operations – Item 1.01 Entry into a Material Definitive Agreement" is incorporated herein by this reference.

Section 9 — Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(c) Exhibits. The following exhibit is filed herewith:

<u>Exhibit No.</u>	<u>Description</u>
10.1	Purchase Agreement dated as of June 24, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation
10.2	Amendment No. 1 to Purchase Agreement dated as of August 21, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation
10.3	Amendment No. 2 to Purchase Agreement dated as of September 21, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation
10.4	Amendment No. 3 to Purchase Agreement dated as of December 31, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation
10.5	Qualified Exchange Accommodation Agreement dated as of May 3, 2006 between Northern Technologies International Corporation and Northern Technologies Holding Company, LLC
10.6	Commercial Note dated as of May 3, 2006 issued by Northern Technologies Holding Company, LLC to National City Bank

Exhibit No.	Description
10.7	Mortgage dated as of May 3, 2006 between Northern Technologies Holding Company, LLC and National City Bank
10.8	Commercial Guaranty dated as of May 3, 2006 issued by Northern Technologies International Corporation, as Guarantor

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

**NORTHERN TECHNOLOGIES
INTERNATIONAL CORPORATION**



By:

Matthew C. Wolsfeld
Chief Financial Officer

Dated: May 3, 2006

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

FORM 8-K

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>	<u>Method of Filing</u>
10.1	Purchase Agreement dated as of June 24, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation	Incorporated by reference to Exhibit 10.6 to Northern Technologies International Corporation's Quarterly Report on Form 10-QSB for the quarter ended May 31, 2005
10.2	Amendment No. 1 to Purchase Agreement dated as of August 21, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation	Filed herewith
10.3	Amendment No. 2 to Purchase Agreement dated as of September 21, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation	Filed herewith
10.4	Amendment No. 3 to Purchase Agreement dated as of December 31, 2005 between Circle Pines Mainstreet II, LLC and Northern Technologies International Corporation	Filed herewith
10.5	Qualified Exchange Accommodation Agreement dated as of May 3, 2006 between Northern Technologies International Corporation and Northern Technologies Holding Company, LLC	Filed herewith
10.6	Commercial Note dated as of May 3, 2006 issued by Northern Technologies Holding Company, LLC to National City Bank	Filed herewith
10.7	Mortgage dated as of May 3, 2006 between Northern Technologies Holding Company, LLC and National City Bank	Filed herewith
10.8	Commercial Guaranty dated as of May 3, 2006 issued by Northern Technologies International Corporation, as Guarantor	Filed herewith

AMENDMENT NO. 1 TO PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO PURCHASE AGREEMENT (the "Amendment") is made as of the 21 day of August, 2005, by and between Circle Pines Mainstreet II, LLC, a Minnesota limited liability company ("Seller"), and Northern Technologies International Corporation, a Minnesota corporation ("Buyer").

RECITALS:

WHEREAS, Buyer and Seller entered into a certain Purchase Agreement (the "Original Purchase Agreement") with an Effective Date of June 24, 2005 providing for the purchase and sale of certain property located at 22 Village Parkway, Circle Pines, Minnesota (the "Property");

WHEREAS, Buyer and Seller desire to amend the Purchase Agreement to clarify the correct legal description of the Property;

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

- Interpretation. The Original Purchase Agreement is hereby modified and supplemented. Wherever there exists a conflict between this Amendment and the Original Purchase Agreement, the provisions of this Amendment shall control. Except as otherwise indicated, capitalized terms used herein shall be defined in the manner set forth in the Original Purchase Agreement. Except as modified and supplemented herein, the Original Purchase Agreement is in full force and effect. From and after the date hereof, the term "Purchase Agreement" shall mean the Original Purchase Agreement as amended hereby.

- Legal Description. The parties agree that Exhibit A of the Purchase Agreement is hereby deleted and replaced in its entirety by the following legal description:

Lot 2, Block 1, Village at Circle Pines Fourth Addition, Anoka County, Minnesota.

- Offer and Acceptance by Facsimile Transmission. This Amendment may be executed using counterpart signature pages executed separately which, when assembled together, shall constitute a single, integrated agreement. The parties agree that a facsimile transmission of a counterpart signature page to this Amendment executed by the transmitting party shall have the same force and effect as delivery of an originally signed counterpart signature page of this Amendment and shall be binding upon the transmitting party. For the purposes of this paragraph, a transmittal by facsimile to Seller shall be to the following facsimile number: 612-371-3207 (Attention: Laura L. Krenz), and to Buyer at (612) 607-7100 (Attention: Elizabeth Sheehan).

SELLER:

Circle Pines Mainstreet II, LLC

By: /s/ William H. Beard

Its: President

BUYER:

Northern Technologies International Corporation

By: /s/ Matthew C. Wolsfeld

Its: Chief Financial Officer

AMENDMENT NO. 2 TO PURCHASE AGREEMENT

THIS AMENDMENT NO. 2 TO PURCHASE AGREEMENT (the "Amendment") is made as of the 21st day of September, 2005, by and between Circle Pines Mainstreet II, LLC, a Minnesota limited liability company ("Seller"), and Northern Technologies International Corporation, a Minnesota corporation ("Buyer").

RECITALS:

WHEREAS, Buyer and Seller entered into a certain Purchase Agreement with an Effective Date of June 24, 2005 as amended by Amendment No. 1 to Purchase Agreement dated August 21, 2005, (the "Original Purchase Agreement") providing for the purchase and sale of certain property located at 22 Village Parkway, Circle Pines, Minnesota (the "Property");

WHEREAS, Amendment No. 1 to Purchase Agreement revised the legal description of the Property based upon the Preliminary Plat of Village at Circle Pines Fourth Addition, a copy of which is attached hereto as Exhibit A; and

WHEREAS, the parties wish to extend the Title and Survey Review Period, the Inspection Period and the Contingency Date all as defined in the Purchase Agreement.

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

- **Interpretation.** The Original Purchase Agreement is hereby modified and supplemented. Wherever there exists a conflict between this Amendment and the Original Purchase Agreement, the provisions of this Amendment shall control. Except as otherwise indicated, capitalized terms used herein shall be defined in the manner set forth in the Original Purchase Agreement. Except as modified and supplemented herein, the Original Purchase Agreement is in full force and effect. From and after the date hereof, the term "Purchase Agreement" shall mean the Original Purchase Agreement as amended hereby.
- **Extension.** The Title and Survey Review Period, the Inspection Period and the Contingency Date as set forth in the Original Purchase Agreement shall be extended to expire on December 31, 2005.
- **Offer and Acceptance by Facsimile Transmission.** This Amendment may be executed using counterpart signature pages executed separately which, when assembled together, shall constitute a single, integrated agreement. The parties agree that a facsimile transmission of a counterpart signature page to this Amendment executed by the transmitting party shall have the same force and effect as delivery of an originally signed counterpart signature page of this Amendment and shall be binding upon the transmitting party. For the purposes of this paragraph, a transmittal by facsimile to Seller shall be to the following facsimile number: 612-371-3207 (Attention: Laura L. Krenz), and to Buyer at (612) 607-7100 (Attention: Elizabeth Sheehan).

SELLER:

Circle Pines Mainstreet II, LLC

By: /s/ William H. Beard

Its: President

BUYER:

Northern Technologies International Corporation

By: /s/ Matthew C. Wolsfeld

Its: Chief Financial Officer

AMENDMENT NO. 3 TO PURCHASE AGREEMENT

THIS AMENDMENT NO. 3 TO PURCHASE AGREEMENT (the "Amendment") is made as of the 31st day of December, 2005, by and between Circle Pines Mainstreet II, LLC, a Minnesota limited liability company ("Seller"), and Northern Technologies International Corporation, a Minnesota corporation ("Buyer").

RECITALS:

WHEREAS, Buyer and Seller entered into a certain Purchase Agreement with an Effective Date of June 24, 2005, as amended by Amendment No. 1 to Purchase Agreement dated August 21, 2005, as further amended by Amendment No. 2 to Purchase Agreement dated September 21, 2005 (the "Original Purchase Agreement") providing for the purchase and sale of certain property located at 22 Village Parkway, Circle Pines, Minnesota (the "Property");

WHEREAS, the parties wish to amend the Purchase Price and acknowledge Seller's survey and title obligations.

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

- **Interpretation.** The Original Purchase Agreement is hereby modified and supplemented. Wherever there exists a conflict between this Amendment and the Original Purchase Agreement, the provisions of this Amendment shall control. Except as otherwise indicated, capitalized terms used herein shall be defined in the manner set forth in the Original Purchase Agreement. Except as modified and supplemented herein, the Original Purchase Agreement is in full force and effect. From and after the date hereof, the term "Purchase Agreement" shall mean the Original Purchase Agreement as amended hereby.
- **Purchase Price.** The total Purchase Price is reduced from \$1,500,000 to \$1,475,000.
- **Title Issues Contingency.** Seller will address the following issues at (collectively "Remaining Title Issues"): (A) direct the surveyor to revise the survey to show how (or whether) the following affects the Property: (i) the easement for County Ditch Number 53, as referenced on the Certificate of Title for the Property and (ii) sanitary sewer and storm sewer easements set forth in Document No. 407168 and (B) direct the surveyor to locate the sanitary sewer line servicing the building, as the same may extend from the Property. If Buyer is not satisfied with issues concerning the Remaining Title Issues or the sanitary sewer line for any reason, then Buyer may terminate the Purchase Agreement on or before January 15, 2006 by sending written notice to Seller, and upon such termination, Buyer shall receive a refund of all Earnest Money, together with interest thereon if any.
- **Seller's Title and Survey Obligations.** The Seller acknowledges that it shall perform, or cause to be performed, the following prior to the Closing Date:

- Revised Survey. Seller shall deliver to Buyer a revised ALTA survey including the existing and new platted legal descriptions for the Property.
- Plat and Access Easement. Buyer has approved the final plat, which shall be recorded by Seller prior to Closing. Pursuant to paragraph 4(f) of the Original Purchase Agreement, prior to Closing, Seller shall obtain Buyer's approval of the Access Easement, which approval shall not be unreasonably withheld.
- Release of Mortgage. Seller shall deliver a release or termination of the financing statement recorded against the Property by Commerce Bank.
- Offer and Acceptance by Facsimile Transmission. This Amendment may be executed using counterpart signature pages executed separately which, when assembled together, shall constitute a single, integrated agreement. The parties agree that a facsimile transmission of a counterpart signature page to this Amendment executed by the transmitting party shall have the same force and effect as delivery of an originally signed counterpart signature page of this Amendment and shall be binding upon the transmitting party. For the purposes of this paragraph, a transmittal by facsimile to Seller shall be to the following facsimile number: 612-371-3207 (Attention: Laura L. Krenz), and to Buyer at (612) 607-7100 (Attention: Carol A. Eiden).

SELLER:

Circle Pines Mainstreet II, LLC

By: /s/ William H. Beard

Its: President

BUYER:

Northern Technologies International Corporation

By: /s/ Matthew C. Wolsfeld

Its: Chief Financial Officer

QUALIFIED EXCHANGE ACCOMMODATION AGREEMENT

(REPLACEMENT PROPERTY HOLD)

EXCHANGE NO. 380271R-A

THIS QUALIFIED EXCHANGE ACCOMMODATION AGREEMENT ("QEAA") IS MADE AND ENTERED INTO AS OF MAY 5, 2006 BY AND BETWEEN NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION, A MINNESOTA CORPORATION ("EXCHANGOR") AND NORTHERN TECHNOLOGIES HOLDING COMPANY, LLC, A MINNESOTA LIMITED LIABILITY COMPANY ("EAT").

RECITALS

- A. Exchangor presently owns for investment purposes or for use in its trade or business certain property ("Currently Held Property") which Exchangor intends to identify as relinquished property, and/or Exchangor has disposed of as relinquished property certain property that Exchangor owned for investment purposes or used in Exchangor's trade or business ("Formerly Held Property").
- B. Exchangor has transferred or intends to transfer some or all of the identified Currently Held Property and/or Formerly Held Property (the "Relinquished Property") to one or more third party buyers (the "Transferees") pursuant to one or more purchase and sale agreements to be entered into between Exchangor and the Transferee or Transferees (each such agreement being referred to herein as a "Relinquished Property Transfer Agreement"). Exchangor has advised EAT that it intends to dispose of the Relinquished Property through a qualified intermediary (the "QI") within the meaning of Treasury Regulation ("Treas. Reg.") Section 1.1031(k)-1(g)(4) for the purpose of effectuating a like-kind exchange (the "Exchange") within the meaning of Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to the Exchange, Exchangor and QI will enter into an Exchange Agreement (the "Exchange Agreement"). First American Exchange Company, LLC will act as the QI in connection with the Exchange.
- C. EAT is willing to cooperate with and assist Exchangor and the QI in completing the Exchange upon the terms and conditions provided herein. To that end, EAT will act as an "Exchange Accommodation Titleholder" as that term is defined in Internal Revenue Service Revenue Procedure 2000-37, 2000-40 I.R.B. 1 (September 15, 2000)("Rev. Proc. 2000-37"). Exchangor has entered into a purchase and sale agreement ("Replacement Property Purchase Agreement") to acquire replacement property commonly known as 22 Village Parkway, Circle Pines and located in the County of Anoka, State of Minnesota ("Replacement Property") more particularly described in Exhibit "A," attached hereto and made a part hereof, from the seller of such property ("Seller"). Exchangor is contemporaneously herewith assigning Exchangor's rights under the Replacement Property Purchase Agreement to EAT pursuant to which assignment EAT will acquire from Seller the Replacement Property.
- D. EAT is also willing to lease the Replacement Property to Exchangor or an affiliate thereof pursuant to a lease in form and substance acceptable to EAT ("Lease"). If improvements are to be constructed on the Replacement Property, EAT is willing to enter into a Construction Management Agreement in form and substance acceptable to EAT (the "Construction Management Agreement"). The Lease and/or Construction Management Agreement are to be executed concurrently with the execution of this QEAA. The improvements to be constructed on the Replacement Property shall be referred to herein as the "Replacement Property Improvements." As used in this Agreement, the Replacement Property shall include the Replacement Property Improvements that are constructed on the Replacement Property by or on behalf of EAT during the Parking Period, as defined below, in accordance with the Code and Rev. Proc 2000-37.

- E. Subject to the terms of this QEAA, EAT will: (1) to the extent required, borrow monies from a lender or lenders pursuant to a credit agreement or agreements providing the terms and conditions of the financing and/or from Exchangor pursuant to the terms of a loan from Exchangor for the purpose of acquiring the Replacement Property; (2) acquire title to the Replacement Property, and if applicable, construct the Replacement Property Improvements on the Replacement Property; and (3) enter into the Lease and/or the Construction Management Agreement.
- F. It is Exchangor's intent that the Replacement Property held by EAT represents replacement property in an exchange that is intended to qualify for non-recognition of gain (in whole or in part) under Section 1031 of the Code. To effectuate the Exchange, Exchangor will: (1) designate to QI the Replacement Property as "replacement property" (within the meaning of Treas. Reg. § 1.1031(k)-1(a)); (2) assign Exchangor's rights under each Relinquished Property Transfer Agreement to QI in order to allow QI to receive the net purchase price therefrom; (3) direct the QI to obtain the right to acquire the Replacement Property from EAT; and (4) direct QI to pay the purchase price for the Replacement Property and then transfer, or cause the transfer of, title to and ownership of the Replacement Property to Exchangor in order to complete the Exchange.

AGREEMENT

NOW THEREFORE, in consideration of the mutual premises set forth herein, the parties hereby agree as follows:

1. Acquisition and Ownership of the Replacement Property by EAT.

1.1. Assignment to EAT of Replacement Property Purchase Agreement.

1.1.1. Exchangor hereby assigns to EAT Exchangor's rights (but not its obligations) to acquire the Replacement Property from the Seller pursuant to the terms of the Replacement Property Purchase Agreement. EAT hereby accepts such assignment of Exchangor's rights under the Replacement Property Purchase Agreement. In addition, Exchangor shall obtain Seller's written acknowledgment of the notice of such assignment.

1.1.2. Subject to the terms of the Replacement Property Purchase Agreement, this QEAA and the assignment of Replacement Property Purchase Agreement, EAT shall acquire title to the Replacement Property.

1.2. Compliance with Rev. Proc. 2000-37. It is the intent of Exchangor and EAT in entering into this QEAA to fully comply with all of the terms and conditions of Rev. Proc. 2000-37. Accordingly, the parties agree to the following:

1.2.1. EAT shall acquire and hold title to the Replacement Property for the benefit of Exchangor in order to enable Exchangor to facilitate, under Section 1031 of the Code, and pursuant to Rev. Proc. 2000-37, an exchange of the Relinquished Property for the Replacement Property.

- 1.2.2. To the extent consistent with applicable law, Exchangor and EAT agree to report, or cause to be reported, the acquisition, holding and disposition of the Replacement Property consistently with the terms of Rev. Proc. 2000-37 for federal and state income tax purposes, including, but not limited to treating EAT as the beneficial owner of the Replacement Property for federal and state income tax purposes from the date EAT acquires title thereto pursuant to the terms of this QEAA until the Replacement Property is conveyed by EAT to Exchangor or to another person in compliance with the terms of this QEAA. In connection therewith, Exchangor shall provide to EAT within thirty days after the completion of the Exchange all information necessary to prepare such tax returns, including, without limitation, a summary of the expenses for the Replacement Property, in a format acceptable to EAT. Exchangor may use the form attached hereto as Exhibit "B" to report such information, or any other form reasonably acceptable to EAT and Exchangor. EAT shall have no obligation to report any information on its tax return other than what is supplied by Exchangor.
- 1.2.3. Exchangor shall, on or before the expiration of forty-five (45) days after the date on which EAT first acquires title to the Replacement Property, identify the Currently Held Properties and/or Formerly Held Properties, which may consist of one or more real properties or interests therein owned by Exchangor, which are to be exchanged by Exchangor for the Replacement Property. Such identification shall be effectuated by one or more written notices signed by Exchangor, which written notices shall be hand delivered, mailed (certified, return receipt requested) or sent by facsimile to QI before the expiration of such 45-day period referred to above, and shall otherwise comply with the requirements of Treas. Reg. §1.1031(k)-1(c) (to the extent such regulation is applicable to this transaction under the terms of Rev. Proc. 2000-37). Exchangor may, at any time prior to the expiration of such 45-day period, revoke identification and (at the option of Exchangor) identify one or more substitute Currently Held Properties or Formerly Held Properties. Any such revocation shall be made pursuant to the Code and applicable regulations, and shall be accomplished solely by written notice signed by Exchangor and hand delivered, mailed (certified, return receipt requested) or sent by facsimile to QI before the expiration of such 45-day period.
- 1.2.4. Exchangor acknowledges that Rev. Proc. 2000-37 requires that a safe harbor reverse and/or improvement exchange be completed (including the transfer of the relinquished property to a third party buyer and the transfer of the Replacement Property to Exchangor) within 180 days from the date that EAT acquires title to the Replacement Property (the "Parking Period"). In no event shall EAT be required to hold title to the Replacement Property longer than the Parking Period. Exchangor also acknowledges that the Exchange must be completed prior to the expiration of the "exchange period" as defined in Treas. Reg. Section 1.1031(k)-1(b).

1.3. Financing and Non-Recourse Language.

- 1.3.1. The acquisition of the Replacement Property, including the cost to design and construct any Replacement Property Improvements which are undertaken by EAT pursuant to Section 1.8 hereof, shall be funded as set forth below.

- 1.3.1.1. Exchange Proceeds. In the event there are funds being held by QI from the sale of Relinquished Property, those funds, less fees and costs as provided in the Exchange Agreement (the “Exchange Proceeds”) will be supplied by QI except to the extent Exchangor elects to cause funds to be supplied by loans described below in Sections 1.3.1.2 and 1.3.1.3.
- 1.3.1.2. Third Party Loans. At Exchangor’s request, EAT shall borrow funds (the “Third Party Loan”) from a lender or lenders (“Lender”) pursuant to and in accordance with the terms and conditions acceptable to Exchangor and EAT, which terms shall be as set forth in the credit agreement or agreements (“Credit Agreement”) including refinancing, renewals, extensions and modifications thereof, all of which shall be completely non-recourse to EAT and to the sole member of EAT (with no carve-outs to the non-recourse provision) and shall permit transfer of the Replacement Property to Exchangor.
- 1.3.1.3. Exchangor Loan. In the event the Exchange Proceeds and/or the Third Party Loan funds are insufficient to acquire the Replacement Property and pay the items listed below, Exchangor agrees to lend to EAT sufficient funds to enable EAT to purchase the Replacement Property and pay any and all required closing costs, loan fees and costs, transfer and mortgage taxes (including documentary stamp taxes and intangible taxes), insurance premiums and other expenses incurred by EAT and approved by Exchangor in connection with the purchase of the Replacement Property by EAT, the holding costs thereof (to the extent not paid by Exchangor as rent) and the construction of Replacement Property Improvements. Such loan (the “Exchangor Loan”) shall be completely non-recourse to EAT and to the sole member of EAT (with no carve-outs to the non-recourse provision) and shall be evidenced by a non-recourse promissory note (the “Exchangor Note”) in form and substance acceptable to EAT. The Exchangor Loan shall also include any amounts funded under the loan described in Section 1.3.4 below.
- 1.3.2. No Obligation to Advance Funds. EAT shall have no obligation to advance funds to acquire, own, manage, lease or transfer the Replacement Property or construct the Replacement Property Improvements in excess of the aggregate of any of the following that apply: (i) the Third Party Loan, (ii) the Exchangor Loan and (iii) Exchange Proceeds.
- 1.3.3. Non-Recourse. Neither EAT nor the sole owner of EAT shall have any personal liability in connection with the Third Party Loan or the Exchangor Loan. Any and all promissory notes, loan documents and other agreements and documents to be signed by EAT in connection with the Third Party Loan or the Exchangor Loan, or related to the ownership, maintenance or operation of the Replacement Property or the construction of the Replacement Property Improvements, shall contain non-recourse language as set forth in Exhibit “C” attached hereto, without any exceptions or carve-outs to the non-recourse language.

1.3.4. Amortization of Principal. If the Credit Agreement requires that EAT make any principal payments to the Lender, Exchangor shall make such principal payments on behalf of EAT directly to the Lender in a timely manner and each payment shall be accounted for between Exchangor and EAT as an interest-free and unsecured loan from Exchangor to EAT. Neither EAT nor the sole member of EAT shall have any obligation to repay the loan obligations incurred by EAT, except as otherwise provided in this Section 1.3.4.

1.4. Environmental Report. Prior to the acquisition of the Replacement Property, Exchangor shall, at Exchangor's expense, provide EAT with a "Phase 1" environmental report on the Replacement Property. EAT's obligation to acquire title to the Replacement Property shall be subject to its review and approval, in its sole discretion, of the "Phase 1" environmental report of the Replacement Property.

1.5. Lease and Construction Management Agreement. Simultaneously with and as a condition concurrent with the acquisition of the Replacement Property, EAT and Exchangor or an affiliate of Exchangor shall enter into the Lease and/or Construction Management Agreement.

1.6. Insurance. Simultaneously with and as a condition concurrent with the acquisition of the Replacement Property, Exchangor shall obtain commercial general liability insurance, property insurance, builder's risk insurance and other insurance in accordance with the requirements of the Lease and/or the Construction Management Agreement, or as otherwise approved by EAT, insuring both Exchangor and EAT with respect to the Replacement Property.

1.7. Title Insurance. Simultaneously with and as a condition concurrent with the acquisition of the Replacement Property, Exchangor shall cause a title insurance binder (or if not available, a title insurance policy) to be issued to EAT in the amount of the Purchase Price of the Replacement Property.

1.8. Construction of Replacement Property Improvements. If so requested by Exchangor, EAT shall construct the Replacement Property Improvements; provided that the construction of the Replacement Property Improvements shall be performed pursuant to the Construction Management Agreement and shall be managed by the Construction Manager named in the Construction Management Agreement. Construction shall commence as soon as reasonably possible after the Replacement Property is acquired, all documents acceptable to EAT and Exchangor are signed, financing acceptable to EAT and Exchangor has been obtained, all permits and approvals have been obtained, insurance has been obtained with EAT listed as an insured or additional insured, and all other applicable terms and conditions of this QEAA have been fulfilled. Notwithstanding anything in this QEAA or any other document, agreement or instrument to the contrary, EAT is not responsible for monitoring the construction of the Replacement Property Improvements, the ability to obtain tax credits or condominium status, or for the performance or nonperformance by the architect or by the general contractor or any of its subcontractors under the construction contract. EAT is also not responsible for the quality of workmanship or materials with respect to the Replacement Property Improvements.

1.9. Fees Payable to EAT. Exchangor agrees to pay to EAT for its services hereunder the fees ("Fee") set forth in the Fee Schedule attached hereto as Exhibit "D."

2. Exchange Cooperation.

2.1. Transfer of Relinquished Property and Replacement Property; QI Assignment

- 2.1.1. At any time prior to the expiration of the Parking Period, Exchangor shall have the right to purchase the Replacement Property from EAT for the Purchase Price (as defined in Section 2.2.1.1 hereof). Exchangor shall exercise its option to purchase the Replacement Property from EAT by giving written notice thereof to EAT, provided that the closing date shall be within the Parking Period. The transfer of ownership of the Replacement Property shall be accomplished either by a deed to Exchangor or, at Exchangor's option, by an assignment of the sole membership interest in EAT (provided that EAT is a single member limited liability company) to Exchangor. Exchangor's obligation to accept title to the Replacement Property at such closing shall be as provided in Section 2.4 hereof. Exchangor acknowledges that the transfer of the Replacement Property to Exchangor should occur only after the transfer of the Relinquished Property to the Transferees.
- 2.1.2. Exchangor shall assign to QI Exchangor's rights under this QEAA to acquire the Replacement Property pursuant to a form of QI Assignment described in Treas. Reg. § 1.1031(k)-1(g)(4)(v). The QI Assignment shall provide for EAT to deliver title to and ownership of the Replacement Property (either by a deed or by the assignment of the sole membership interest in EAT) directly to Exchangor without the need for QI to take title thereto. EAT will provide a written acknowledgement of receiving notice of the QI Assignment.
- 2.1.3. Exchangor shall also assign to QI Exchangor's rights (but not its obligations) under the Relinquished Property Transfer Agreement to sell the Relinquished Property to the Transferees pursuant to a form of QI Assignment described in Treas. Reg. § 1.1031(k)-1(g)(4)(v). The QI Assignment shall provide for Exchangor to deliver title to and ownership of the Relinquished Property directly to such Transferees without the need for QI to take title thereto. In addition, Exchangor shall obtain such Transferee's written acknowledgment of the notice of such assignment.
- 2.1.4. Exchangor shall direct QI to use the Exchange Proceeds to acquire the Replacement Property from EAT for an amount equal to the Purchase Price, as provided in Section 2.2, and shall supply to QI any additional funds needed to make such purchase, in excess of the funds and credits described in Section 2.2.2.
- 2.1.5. Upon receipt of the Purchase Price from QI, and consistent with the QI Assignment, EAT shall deliver to QI or, upon the direction of QI, to Exchangor a conveyance of title to the Replacement Property ("Replacement Property Deed"), or in the alternative, the sole member of EAT shall deliver its one hundred percent membership interest in EAT ("Assignment of Membership Interest") to Exchangor, using the form of assignment attached hereto as Exhibit "E."
- 2.1.6. At Exchangor's request, EAT shall assign to Exchangor (without representation, covenant, warranty or variance) all representations, warranties and covenants from the Seller pertaining to the Replacement Property which have been obtained by EAT and all of EAT's rights and obligations (which Exchangor shall assume) under the Lease.

2.2. Purchase Price and Terms.

- 2.2.1. For purposes of this QEAA, the following definitions shall apply:

2.2.1.1. "Purchase Price" shall mean (i) the purchase price paid by EAT to Seller to acquire the Replacement Property (including any debt assumed or taken subject to), and (ii) the sum of any and all unreimbursed costs, liabilities and expenses of any kind incurred by EAT in connection with the acquisition, ownership, lease, operation, maintenance and transfer of the Replacement Property and the design and construction of the Replacement Property Improvements, including, without limitation, all sales, transfer or other taxes, and all charges, expenses and closing costs paid by EAT in connection with the acquisition, ownership and the transfer of the Replacement Property, all interest and stated fees (including accrued but unpaid pre-payment fees in connection with mandatory pre-payments) under the Third Party Loan and the Exchangor Loan, all title search expenses and title insurance premiums and all taxes and other ownership costs of the Replacement Property; provided, however, Exchangor shall have approved all costs under subsection (ii) in writing before EAT incurs such costs.

2.2.1.2. The Purchase Price shall not include costs and expenses that have been paid by Exchangor as rent pursuant to the Lease.

2.2.2. The Purchase Price shall be paid as follows:

2.2.2.1 In cash, but only to the extent of Exchange Proceeds deposited at closing by the QI, plus

2.2.2.2 In the form of a credit for any remaining liabilities owed to Lender pursuant to Credit Agreement which are assumed by Exchangor or which the Exchangor agrees to acquire the Replacement Property "subject to," plus

2.2.2.3 In the form of a credit for any remaining amount due Exchangor pursuant to the Exchangor Loan.

2.2.3. EAT shall use the Purchase Price as follows:

2.2.3.1 First, to pay any and all unpaid costs and expenses incurred by EAT in connection with the acquisition, ownership, leasing, operation, maintenance, financing and transfer of the Replacement Property, and the construction of any Replacement Property Improvements,

2.2.3.2 Second, to pay all principal and interest (if any) on the Exchangor Loan,

2.2.3.3 Third, to pay principal and interest on the Third Party Loan, to the extent requested by Exchangor.

2.2.3.4 If there is any excess cash after paying such amounts, such excess shall be paid to Exchangor, or at the request of Exchangor, shall be used by QI in connection with the acquisition of another replacement property.

2.3. Casualty & Condemnation; Liens

2.3.1. At such time as EAT delivers the Replacement Property Deed or Assignment of Membership Interest to Exchangor pursuant to Section 2.1.5 hereof, EAT shall also deliver to Exchangor, less costs incurred in pursuing such entitlement (i) any insurance or condemnation proceeds pertaining to the Replacement Property which EAT may have received, except to the extent such proceeds have been expended for the restoration or repair of the Replacement Property or otherwise applied as required under the Credit Agreement, or applied in accordance with the Lease, and (ii) assignments of any insurance or condemnation proceeds pertaining to the Replacement Property which EAT may be entitled to receive but has not received.

2.3.2. EAT shall not encumber the Replacement Property, except to the extent such encumbrance is contemplated by the terms of this QEAA, the Lease, the Construction Management Agreement, any Credit Agreement or any other document related to the Exchange, or is authorized by or directly or indirectly caused by any act or omission of Exchangor or any other third party.

2.4. Representations and Warranties: Title. Except as expressly provided herein, EAT shall not be obligated to make any covenants, representations or warranties to Exchangor in connection with the transfer of title to the Replacement Property. Without limiting the generality of the foregoing and except as prohibited by law, Exchangor shall be required to accept title to the Replacement Property regardless of (i) defects in title or encumbrances, except those that are caused by EAT in violation of the terms of Section 2.3.2 hereof; (ii) the absence of any required permits or approvals; (iii) any unfavorable tax rulings; or (iv) any other matter or condition affecting or relating to the Replacement Property or the right or power of Exchangor to acquire, own, or maintain possession of and operate the Replacement Property.

3. Exchangor's Failure to Complete Exchange.

If Exchangor is unable to complete the Exchange prior to the expiration of the Parking Period, EAT shall transfer the Replacement Property to Exchangor for a price equal to the Purchase Price, payable in full at the closing as provided in Section 2.2.2, except that Exchangor, rather than QI, shall be the source of any cash deposit. In such event, EAT shall deliver the Replacement Property Deed or shall cause the sole member of EAT to deliver the Assignment of Membership Interest to Exchangor. Exchangor shall have the obligation to pay all costs and expenses of such transfer, including without limitation, recording fees and transfer taxes. Exchangor shall take title to the Replacement Property subject to any existing loan, and as provided in Section 2.4 hereof. At Exchangor's option, Exchangor may instruct EAT in writing to transfer the Replacement Property to a third party transferee instead of transferring it to Exchangor, provided that such transfer is done without any representations, warranties or liability to EAT whatsoever, is completed prior to the end of the Parking Period and does not result in taxable income to EAT.

4. Exchangor's Default. If an Exchangor Default or an Adverse Entity Event (as those terms are defined below) shall occur with respect to Exchangor, then EAT may terminate its obligation to complete the Exchange and shall have the right to transfer the Replacement Property to Exchangor (at EAT's option, by deed or by an assignment of the membership interest in EAT) and shall have the right to recover any damages against Exchangor as provided by law, including, without limitation, escrow and recording fees, transfer taxes and all other costs of transferring the Replacement Property or the interest in EAT, and including all costs and expenses incurred by EAT in connection with the acquisition, ownership, construction and/or transfer of the Replacement Property. In such event, (a) Exchangor shall be obligated to acquire the Replacement Property from EAT, and (b) all principal and interest due under the Exchangor Loan shall be cancelled.

5. EAT's Default. If an EAT Default or an Adverse Entity Event (as those terms are defined below) shall occur with respect to EAT, then Exchangor may terminate its obligation to complete the Exchange and shall have the right to recover any damages against EAT as provided by law. Exchangor shall also have the right of specific performance to cause EAT to transfer the Replacement Property to Exchangor.
6. Definitions. "Adverse Entity Event" shall mean any one or more of the following events: dissolution or liquidation, making a general assignment for the benefit of creditors, filing a petition in bankruptcy, filing a petition or applying to any tribunal for the appointment of a receiver or trustee of its properties, commencing any proceeding relating to itself under any bankruptcy, reorganization, readjustment of debt, dissolution or liquidation law of any jurisdiction, causing to have commenced against it any such proceeding which remains undismissed for a period of ninety (90) days, indicating its consent to, approval of or acquiescence in any of such proceedings or failing to contest the appointment of any receiver of, or trustee for, it or for substantially all of its properties which shall continue undischarged for a period of ninety (90) days. "Exchangor Default" shall mean the failure of Exchangor to pay for, or to immediately reimburse EAT for, all costs and expenses of the Replacement Property as required under this Agreement, or if the exchange is not completed during the Parking Period, the failure of Exchangor to cooperate with EAT by setting up an escrow and paying all costs and expenses and transfer taxes, if any, and as required under this Agreement in connection with the transfer of the Replacement Property to Exchangor, or any other material default by Exchangor under this QEAA, the Lease, the Construction Management Agreement or any ancillary document, and in any of such events, the failure or breach is not cured within ten (10) days after EAT sends Exchangor written notice thereof. "EAT Default" shall mean any material default by EAT under this QEAA, the Lease, the Construction Management Agreement or any ancillary document, which is not cured within ten (10) days after Exchangor sends EAT written notice thereof.
7. Representations and Warranties of the Parties. EAT and Exchangor, hereby represent and warrant to each other as follows:
 - 7.1. Due Organization: Authority: Enforceability. EAT, and Exchangor if it is an entity, each represents that it is an entity of the form specified in the preamble to this QEAA, and is duly organized and validly existing under the laws of the state of its formation. Each party has the power and authority to make, execute, deliver and perform its obligations under this QEAA and all of the transactions contemplated under this QEAA and has taken all necessary actions to authorize the execution, delivery and performance of this QEAA. This QEAA constitutes a valid and binding obligation of such party, enforceable against such party in accordance with its terms; subject, as to enforcement to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability relating to or affecting creditors rights and to general equitable principles.

- 7.2. Conflict with Existing Laws or Contracts. The execution and delivery of this QEAA, and all related documents, and the performance of their obligations hereunder and thereunder by each party (i) does not conflict with or result in a breach of or constitute a default under any of the terms, conditions or provisions of the that party's organizational documents, if any, including, but not limited to: articles of incorporation, bylaws, articles of organization, regulations, operating agreements, partnership agreements, limited partnership agreement or certificate of limited partnership; or of any agreement or instrument to which such party is a party or by which such party is bound or any order or decree applicable to such party and (ii) will not result in the creation or imposition of any lien (except for those liens contemplated by the Lease, Exchangor Loan and Credit Agreement) on any of such party's assets or property which would materially and adversely affect the ability of such party to execute and deliver this QEAA and perform its obligations hereunder; and such party has obtained all consents, approvals, authorizations or orders of any court or governmental agency or body, if any, required for the execution and delivery by it of this QEAA.
- 7.3. Legal Action Against a Party. There are no judgments, orders, or decrees of any kind against the representing and warranting party unpaid or unsatisfied of record nor any legal action, suit or other legal or administrative proceeding pending or, to such party's knowledge, threatened against such party before any court or administrative agency which have, or are likely to have, any material or adverse effect on the business or assets or the condition, financial or otherwise, of such party or which prevent, or could reasonably be expected to prevent, the ability of such party to perform hereunder.
- 7.4. Bankruptcy or Debt: Financial Condition. The representing and warranting party has not filed any petition seeking or acquiescing in any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any law relating to bankruptcy or insolvency, nor has any such petition been filed against such party. No general assignment of such party's property has been made for the benefit of creditors, and no receiver, master, liquidator or trustee has been appointed for such party or any of its property. Such party is not insolvent and the consummation of the transactions contemplated by this QEAA shall not render such party insolvent. Such party will have, as of the time of execution of this QEAA, sufficient financial resources to meet all of its obligations, including all of its obligations under this QEAA.
- 7.5. Survival. Each and every representation and warranty made by EAT and Exchangor in Section 7 hereof shall survive the execution and delivery of this QEAA and the consummation of the transactions contemplated hereunder.

8. Environmental Release and Indemnity.

- 8.1. General Release. Exchangor represents and warrants to EAT, to the best knowledge of Exchangor, after inquiry, there have been no releases of any Hazardous Substances, as defined below, on, in, around or about the Replacement Property. Exchangor hereby releases EAT and its past, present, and future members, partners, parent companies, subsidiaries, affiliates, and related entities, as well as past, present and future partners, members, shareholders, officers, directors, employees, agents, successors, heirs and assigns of each of them (collectively, the "Indemnified Parties" and individually, an "Indemnified Party") from any and all claims, causes of action of every kind and character, fines, losses, damages, liabilities, costs and expenses whether known or unknown, existing, contingent or hereafter arising, which Exchangor may have now or in the future, in connection with or arising out of the actual or suspected presence in, on, under or about the Replacement Property of any Hazardous Substance, excepting any losses existing from EAT's or any of the Indemnified Parties' negligence or willful misconduct or breach of this Agreement.

8.2. Environmental Indemnity. Exchangor shall indemnify, protect, defend (with counsel reasonably satisfactory to the Indemnified Party) and hold harmless each of the Indemnified Parties of, from and against any and all cost, expense, loss, damage, claim, cause of action or liability suffered or incurred by such Indemnified Party in connection with or arising out of the actual or suspected presence in, on, under or about the Replacement Property, of any Hazardous Substance including, but not limited to: (1) any and all expenses that the Indemnified Party may incur in complying with any of the Environmental Statutes (as defined below), (2) any and all costs that the Indemnified Party may incur in connection with the investigation, removal, clean up or remediation of the contamination and the restoration of the Replacement Property, (3) any and all fines or penalties assessed upon the Indemnified Party by reason of such contamination, (4) any and all costs arising from claims of third parties in connection with such contamination, and (5) any and all consultant and legal fees and costs incurred by the Indemnified Party in connection with any of the foregoing. For purposes of this Section 8, the term “contamination” shall mean the presence of Hazardous Substances at the Replacement Property or any improvements thereon that requires or may require any remedial action under any of the Environmental Statutes.

8.3. Certain Definitions:

8.3.1. As utilized in this Section 10, the term “Hazardous Substance” shall mean any substance or material, including but not limited to lead in paint, which (a) constitutes a hazardous waste substance under any applicable federal, state or local law, rule, order or regulation now or hereafter adopted; (b) constitutes a “hazardous substance” under the Comprehensive Environmental Response, Compensation and Liability Act, (42 U.S.C. 9601 et seq.) and the regulations promulgated thereunder; (c) constitutes a “hazardous waste” under the Resource Conservation and Recovery Act, (42 U.S.C. 6901 et seq.) and the regulations promulgated thereunder; (d) constitutes a pollutant, contaminant, chemical or industrial, toxic or hazardous substance or waste; (e) exhibits any of the characteristics enumerated in 40 C.F.R. Sections 261.20-261.24, inclusive; (f) is an extremely hazardous substance listed in Section 302 of the Superfund Amendments and Reauthorization Act of 1986 (Public Law 99-499, 100 Stat. 1613) which are present in threshold planning or reportable quantities as defined under such Act; (g) is a toxic or hazardous chemical substance which is present in quantities which exceed exposure standards as those terms are defined under Sections 6 and 8 of the Occupational Safety and Health Act, as amended, (29 U.S.C. 655 and 657 and 29 C.F.R. Part 1910 subpart 2); (h) contains any asbestos, or (i) is a petroleum-based product, an underground storage tank, or an above ground storage tank.

8.3.2. As utilized herein, the term “Environmental Statutes” shall mean the statutes, laws, rules, orders and regulations referred to in (a) through (i), inclusive, in the preceding Section 8.3.1. As utilized herein, contamination by a Hazardous Substance shall include contamination arising from the presence, creation, production, collection, treatment, disposal, discharge, release, storage, transport, or transfer of any such substance.

- 8.4. Survival of Provisions. The provisions of this Section 8 shall survive the termination of this QEAA for any reason and the completion of all the transactions contemplated herein.
- 8.5. Actions by Indemnified Parties. The foregoing notwithstanding, the provisions of this Section 8 shall not extend to any release of Hazardous Substances upon the Replacement Property caused solely by an Indemnified Party's intentional misconduct or gross negligence not arising from or otherwise connected with such party's rights, responsibilities and obligations under this QEAA, the Credit Agreement, the Lease or the Construction Management Agreement.
9. Due Diligence. EAT shall have no obligation or responsibility to pursue or complete any due diligence activities with respect to the Replacement Property; all such due diligence activity being the responsibility of the Exchangor. As used in the preceding sentence, "due diligence activities" include, without limitation, (i) environmental site assessments, (ii) subsurface soil studies, (iii) surveys, (iv) investigations to determine the availability of all utilities required for the operation of the Replacement Property, (v) examination of title insurance commitments, title insurance policies and all instruments referred to therein, (vi) verification of compliance with all applicable comprehensive land use plans, zoning, restrictions, prohibitions and other requirements imposed by governmental authority, (vii) review of all space leases affecting the Replacement Property, (viii) inspections to determine active termite infestation or visible damage from termite infestation, (ix) confirmation of access to the Replacement Property, (x) confirmation of the value of the Replacement Property, and (xi) inspections of all improvements comprising any part of the Replacement Property to determine the existence of any water damage or structural damage and to verify that all appliances, mechanical items, heating, cooling, electrical, plumbing systems and machinery are in good working order.
10. Indemnity. Exchangor shall indemnify, protect, defend with counsel reasonably satisfactory to EAT, and hold EAT and all the Indemnified Parties harmless with respect to any claim, cause of action, liability, loss, cost, damage or expense, including reasonable attorneys' fees (collectively, "Claims"), arising out of or resulting, directly or indirectly, from (a) the failure by Exchangor to complete all required due diligence activities pertaining to the Replacement Property, (b) the existence of any facts or conditions affecting any part of the Replacement Property which were or could have been determined or discovered as a result of the conduct and completion of due diligence activities with respect to the Replacement Property, (c) the condition, use, occupancy or maintenance of the Replacement Property, or the failure of the Replacement Property to comply with all laws and regulations, (d) the design, installation and construction of any improvements to the Replacement Property, including any Claims arising in connection with liens against the Replacement Property, (e) any existing or future leases, subleases or occupancy agreements affecting the Replacement Property, (f) any and all acts and omissions with respect to the Replacement Property, (g) any documents, agreements and instruments executed or entered into by or on behalf of EAT in connection with the Replacement Property, including, without limitation, ground leases, occupancy leases, license agreements, tenancy-in-common agreements, change of ownership reports, service contracts, construction contracts, agreements and documents related to the design, development and construction of improvements to the Replacement Property, promissory notes, deeds of trust and

mortgages, environmental indemnity agreements, loan agreements and other loan documents, (h) any and all taxes and assessments which are due in connection with the acquisition, holding, ownership, transfer and/or disposition of the Replacement Property or otherwise in connection with the Exchange, other than taxes due as a result of the payment of the Fee, and/or (i) the acquisition, financing, ownership, leasing, subleasing, design, construction, management, operation, maintenance, restoration and/or transfer by EAT of the Replacement Property (including the Replacement Property Improvements). In the event the Replacement Property is reassessed and EAT receives a supplemental tax bill, either during or after the Parking Period, and such bill applies to the period during which EAT held title to the Replacement Property, Exchangor shall immediately pay such tax bill in full, and this indemnity shall include all such obligations to pay taxes. Notwithstanding anything to the contrary set forth in this Section 10, the indemnification in this Section 10 shall exclude any loss arising from EAT's or any Indemnified Parties' negligence, willful misconduct or breach of this Agreement. The provisions of this Section 10 shall survive the termination of this QEAA and the completion of the transactions contemplated hereunder.

11. Miscellaneous.

- 11.1. Time. Time is of the essence of this QEAA and of each covenant and condition to be performed hereunder.
- 11.2. Waiver. No failure or delay on the part of either party in exercising any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies provided hereunder are cumulative and not exclusive of any remedies provided by law.
- 11.3. Commissions. No real estate commission shall be paid as a result of the transfer of the Replacement Property from EAT to Exchangor. Exchangor hereby indemnifies and agrees to protect, defend with counsel reasonably satisfactory to EAT, and hold EAT harmless from any liability, loss claim, damage, cost, expense or cause of action for commissions.
- 11.4. Amendments. No amendment, modification, termination or waiver of this QEAA or any provision hereof nor any consent to any departure herefrom shall be effective unless the same is in writing and signed by the party to be bound thereby and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No notice to or demand on either party shall entitle such party to any other or further notice or demand in similar or other circumstances.
- 11.5. Governing Law. This QEAA and all rights and obligations of the parties hereunder shall be governed by and be construed and enforced in accordance with the laws of the state in which the agreement was entered into ("Forum State"). Each party hereby consents to the jurisdiction of the courts of the Forum State.
- 11.6. Assignment. This QEAA shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. Except as specifically provided in this QEAA, no party shall have the right to assign any of its rights or interests herein without the prior written

consent of the other party, and under no circumstances shall EAT assign or attempt to assign its interest hereunder to a person that would be a “disqualified person” within the meaning of Treas. Reg. § 1.1031(k)-1(k). No person not a party hereto is intended to be benefited hereby. Exchangor’s release and indemnities contained in this Agreement shall survive any assignment of this QEAA, any termination of this QEAA and/or the completion of the Exchange.

- 11.7. Severability. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without affecting the validity or enforceability of the remainder of this QEAA or the enforceability of such provision in any other jurisdiction.
- 11.8. Captions and Recitals. Captions herein are included for convenience of reference only and shall not constitute a part hereof; they shall be ignored in construing and enforcing this QEAA. Each of the Recitals set forth above are true and correct and are incorporated herein by this reference.
- 11.9. Notices. All notices, requests, demands, directions, declarations and other communications provided for herein shall be in writing and shall, except as otherwise expressly provided, be mailed by registered or certified mail, return receipt requested, sent by overnight courier or delivered by hand to the applicable party at its address indicated below:

If to Exchangor:

Northern Technologies International Corporation
Attn: Matthew C. Wolsfeld
6680 N. Hwy 49
Lino Lakes, MN 55014
Telephone: 651/217-2111
Facsimile: (651) 784-2902
Email: Mwolsfeld@nti.com

With a copy to:

Elizabeth Sheehan, Esq.
Oppenheimer Wolff & Donnelly LLP
Plaza VII, Suite 3300
45 South Seventh Street
Minneapolis, MN 55402-1609
Telephone: (612) 607-7534
Facsimile: (612) 607-7100
Email: esheehan@oppenheimer.com

If to EAT:

Northern Technologies Holding Company, LLC
c/o First American Exchange Company, LLC
Attn: Steven P. Katkov
1900 Midwest Plaza West 801 Nicollet Mall
Minneapolis, MN 55402
Telephone: 612/305-2525
Facsimile: 612/305-2530
Email: skatkov@firstam.com

Any notice so given, delivered or made by mail or by overnight courier shall be deemed to have been duly given, delivered or made on the date the same is received, as established by the return receipt. Any party may change the address to which notices are sent to such party by written notice to the other party specifying said change of address.

- 11.10. State Withholding. If Exchangor is subject to withholding under state or local law, EAT and/or QI shall be entitled to withhold and pay those amounts required to be withheld by them pursuant to such state or local law unless and until proper exemption from such state or local withholding requirements have been obtained by Exchangor.
- 11.11. Counterparts and Facsimile Execution. This QEAA may be executed in two or more identical counterparts. If so executed, each of such counterparts is to be deemed an original for all purposes and all such counterparts shall, collectively, constitute one agreement. A facsimile, telecopy or other reproduction of this QEAA may be executed by the parties (in counterparts or otherwise) and shall be considered valid, binding and effective for all purposes. At the request of any party, the parties hereto agree to execute an original of this QEAA as well as any facsimile, telecopy or other reproduction.
- 11.12. Attorneys' Fees. Should any litigation arise between the parties hereto concerning or arising out of this QEAA, including, but not limited to, actions for damages, specific performance, declaratory, injunctive or other relief, and whether at law or in equity, and including appellate and bankruptcy proceedings as well as at arbitration or at the trial level, the prevailing party in any such litigation or proceeding shall be entitled to recover reasonable fees and costs of attorneys and legal assistants.
- 11.13. Entire Agreement. This QEAA contains the entire understanding and agreement between the parties relating to the subject matter hereof or the transactions contemplated hereby, and all prior or extrinsic agreements, understandings, representations and statements, oral or written, are merged herein and/or superseded hereby. There are no other agreements, written or oral, between the parties with respect to the subject matter hereof or the transactions contemplated hereby except those contained in this QEAA.
- 11.14. Gender: Singular and Plural Usages. Wherever in this QEAA the singular is used, the same shall include the plural, and vice-versa, and wherever in this QEAA the masculine gender is used, the same shall include the feminine and neuter genders, and vice-versa.
- 11.15. Construction of QEAA. All parties to this QEAA having participated fully and equally in the negotiation and preparation hereof, and all parties having been represented by counsel in connection with the negotiation, preparation and execution of this QEAA, the fact that one of the parties to this QEAA, or its attorney, may be deemed to have drafted or structured any provision of this QEAA shall not be considered in construing or interpreting any particular provision of this QEAA, either in favor of or against such party.

- 11.16. Federal Withholding. In the event Exchangor is a “Foreign Person,” EAT shall be entitled to withhold and pay those amounts required to be withheld by Section 1445 of the Code and the Regulations promulgated thereunder. In the event Exchangor presents to EAT a “Withholding Certificate,” issued by the Internal Revenue Service pursuant to Treas. Reg. § 1.1445-3, EAT may, in the exercise of its reasonable judgment, comply with the Withholding Certificate. By entering a Taxpayer’s I.D. Number after Exchangor’s signature below, Exchangor certifies under penalty of perjury that it is not a “Foreign Person” as that term is defined in Section 1445 of the Code and the Regulations promulgated thereunder, and further certifies the accuracy of such Taxpayer I.D. Number and the accuracy of its address as indicated above.
- 11.17. Independent Tax and Legal Advice. EXCHANGOR ACKNOWLEDGES AND AGREES THAT IT HAS CONSULTED WITH AND RELIED SOLELY UPON THE ADVICE AND JUDGMENT OF ITS OWN INDEPENDENT TAX ADVISORS, ATTORNEYS, AND/OR CERTIFIED PUBLIC ACCOUNTANTS AS TO THE TAX AND OTHER ASPECTS OF THE EXCHANGE, THE TRANSACTIONS CONTEMPLATED HEREBY, AND ALL DOCUMENTS SIGNED AND/OR TO BE SIGNED IN CONNECTION HEREWITH. EXCHANGOR HAS NOT RELIED UPON EAT OR QI OR THEIR RESPECTIVE ADVISORS, EMPLOYEES, ATTORNEYS AND/OR CERTIFIED PUBLIC ACCOUNTANTS FOR ANY TAX, BUSINESS OR LEGAL ADVICE. QI AND EAT MAY PERIODICALLY GIVE EXCHANGOR NOTICES OF ESTIMATED DEADLINES AND ALSO MAY DISCUSS INCOME TAX MATTERS IN GENERAL WITH EXCHANGOR, BUT SUCH NOTICES AND GENERAL DISCUSSIONS DO NOT ENLARGE THE DUTIES AND RESPONSIBILITIES OF QI OR EAT AND DO NOT DIMINISH THE RESPONSIBILITY OF EXCHANGOR TO DETERMINE THE TAX CONSEQUENCES OF THE EXCHANGE AND TO SEEK INDEPENDENT TAX ADVICE CONCERNING SUCH TAX CONSEQUENCES. EXCHANGOR UNDERSTANDS IT MUST ACCURATELY AND TIMELY REPORT THE EXCHANGE, INCLUDING FILING IRS FORM 8824.

SIGNATURE PAGE – QUALIFIED EXCHANGE ACCOMMODATION AGREEMENT

IN WITNESS WHEREOF, Exchangor and EAT each have caused this QEAA to be duly executed pursuant to proper authorization as of the day and year first above written.

EAT:

NORTHERN TECHNOLOGIES HOLDING COMPANY, LLC
a Minnesota limited liability company

By: FIRST AMERICAN EXCHANGE
COMPANY, LLC, a Delaware limited liability company
Its Sole Member

By: /s/ Steven P. Katkov

Steven P. Katkov
Vice President

EXCHANGOR:

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
a Minnesota corporation

By: /s/ Matthew C. Wolsfeld

Matthew C. Wolsfeld
Chief Financial Officer

EXCHANGOR'S TAXPAYER I.D. NUMBER: 41-0857886

COMMERCIAL NOTE: TERM SINGLE ADVANCE/FIXED (Ohio)

Amount	City, State	Date
\$1,275,000.00		May 3, 2006

FOR VALUE RECEIVED, **Northern Technologies Holding Company, LLC, a Minnesota limited liability company** (“*Borrower*”), whose mailing address is **6680 North Highway 49, Lino Lakes, MN 55014**, hereby promises to pay to the order of **NATIONAL CITY BANK, a national banking association** (“*Bank*”), having a banking office at **1900 East 9th Street, Cleveland, OH 44114** Attention: **Commercial Loan Division**, Locator No. **01-8485**, at the address specified on the bills received by Borrower from Bank (or at such other place as Bank may from time to time designate by written notice) in lawful money of the United States of America, the principal sum of

One Million Two Hundred Seventy Five Thousand and 00/100 Dollars (\$1,275,000.00)

together with interest, all as provided below. Borrower acknowledges that the entire face amount of this Note is to be advanced by Bank to or for the benefit of Borrower on the date hereof.

1. Interest. From and including **April 28, 2006** (the “*Starting Date*”) through and including Maturity (as defined below), the unpaid principal balance of this Note shall bear interest at a fixed rate equal to **8.01%** per annum; provided, that so long as any principal of or accrued interest on this Note is overdue, all unpaid principal of this Note and all overdue interest on that principal shall bear interest at a fluctuating rate equal to two percent (2.0%) per annum above the rate that would otherwise be applicable, but in no case less than two percent (2.0%) per annum above the Prime Rate; *provided further*, that in no event shall any principal of or interest on this Note bear interest at any time after Maturity at a lesser rate than the rate applicable thereto immediately after Maturity; and provided further that nothing herein shall affect the rate of interest applicable to the unpaid principal of this Note or overdue interest thereon (a) to the extent any principal of or accrued interest on this Note is overdue, (b) prior to the Starting Date, (c) after Maturity or (d) to the extent the unpaid principal balance of this Note bears interest at any time based on a rate other than the rate indicated in this section 1.

2. Repayment. Subject to the rights and remedies of Bank set forth in this Note upon default, from and after the date hereof, the interest on and the outstanding principal balance of this Note shall be payable in **sixty (60)** installments, commencing on **June 1, 2006**, and continuing on the **1st** day of each **month** thereafter until paid in full, each such installment except the final installment to be in an amount (inclusive of principal and interest) equal to **Ten Thousand Seven Hundred Seventy Six and 05/100 Dollars (\$10,776.05)**, but in no case less than the accrued and unpaid interest, and the final installment to be in an amount equal to all unpaid principal of this Note and all accrued and unpaid interest thereon. Payments shall be made in accordance with the amortization schedule set forth in the allonge in the form and substance of **Exhibit A** to this Note.

The amortization schedule assumes that all payments are made on their respective due dates and any payment made on other than its due date may alter the actual amortization. Any interest accruing on this Note after Maturity shall be due and payable on demand thereafter. If any payment is required to be made on a day which is not a Banking Day, such payment shall be due on the next immediately following Banking Day and interest shall continue to accrue at the applicable rate.

DIRECT DEBIT: The following is applicable if checked by Borrower: Payments shall be paid by Borrower by debiting Borrower's checking account, routing number _____, account number _____ on the due date.

3. Prepayment. (a) Borrower shall have the right to prepay the principal of this Note in whole or in part, provided, that (i) each such prepayment shall be in the principal sum of One Thousand and no/100 Dollars (\$1,000.00) or any integral multiple thereof or an amount equal to the then aggregate unpaid principal balance of this Note, (ii) each such prepayment shall be applied to the installments of this Note in the inverse order of their respective due dates, and (iii) concurrently with the prepayment of the entire unpaid principal balance of this Note, Borrower shall prepay the accrued interest on the principal being prepaid.

(b) If this Note is

- (i) prepaid, in whole or in part, during a period when the unpaid principal balance bears interest, or is scheduled to bear interest, at a fixed rate, or
- (ii) accelerated after the occurrence of an Event of Default hereunder, during a period when the unpaid principal balance bears interest, or is scheduled to bear interest, at a fixed rate,

and, if, on the date of the occurrence of either (i) or (ii) above, or with respect to any partial prepayment for which a Funding Cost Recovery Charge was not determined on the date of occurrence, on the date of any subsequent prepayment for which a Funding Cost Recovery Charge is determined (each a "**Determination Date**"), the Reinvestment Rate is less than the Funding Cost, then a "**Funding Cost Recovery Charge**", computed in accordance with the terms of the Funding Cost Recovery Charge Addendum, shall be payable by Borrower to Bank at the time of prepayment or acceleration as applicable. Bank's right to collect any Funding Cost Recovery Charge shall accrue as of each Determination Date, and any delay on Bank's part to determine, or to notify Borrower as to, the amount of any Funding Cost Recovery Charge shall not constitute a waiver of, or otherwise limit, Bank's right to recover a Funding Cost Recovery Charge otherwise payable pursuant to the terms hereof.

The terms "**Reinvestment Rate**" and "**Funding Cost**" are defined in the Funding Cost Recovery Charge Addendum. Borrower's execution of this Note shall constitute acknowledgment that Borrower has received a complete copy of the Funding Cost Recovery Charge Addendum.

4. Definitions. As used in this Note, except where the context clearly requires otherwise, "**Affiliate**" means, when used with reference to any Person (the "**subject**"), a Person that is in control of, under the control of, or under common control with, the subject, the term "**control**" meaning the possession, directly or indirectly, of the power to direct the management or policies

of a Person, whether through the ownership of voting securities, by contract, or otherwise; “**Bank Debt**” means, collectively, all Debt to Bank, whether incurred directly to Bank or acquired by it by purchase, pledge, or otherwise, and whether participated to or from Bank in whole or in part; “**Banking Day**” means any day (other than any Saturday, Sunday or legal holiday) on which Bank’s banking office is open to the public for carrying on substantially all of its banking functions; “**Debt**” means, collectively, all obligations of the Person or Persons in question, including, without limitation, every such obligation whether owing by one such Person alone or with one or more other Persons in a joint, several, or joint and several capacity, whether now owing or hereafter arising, whether owing absolutely or contingently, whether created by lease, loan, overdraft, guaranty of payment, or other contract, or by quasi-contract, tort, statute, other operation of law, or otherwise; “**Maturity**” means the date (whether occurring by lapse of time, acceleration, or otherwise) upon which the last scheduled principal payment under this Note is due; “**Note**” means this promissory note (including, without limitation, each addendum, allonge, or amendment, if any, hereto); “**Obligor**” means any Person who, or any of whose property, shall at the time in question be obligated in respect of all or any part of the Bank Debt of Borrower and (in addition to Borrower) includes, without limitation, co-makers, endorsers, guarantors, pledgors, hypothecators, mortgagors, and any other Person who agrees, conditionally or otherwise, to assure such other Obligor’s creditors or any of them against loss; “**Person**” means an individual or entity of any kind, including, without limitation, any association, company, cooperative, corporation, partnership, trust, governmental body, or any other form or kind of entity; “**Prime Rate**” means the fluctuating rate per annum which is publicly announced from time to time by Bank as being its so-called “prime rate” or “base rate” thereafter in effect, with each change in the Prime Rate automatically, immediately, and without notice changing the Prime Rate thereafter applicable hereunder, it being acknowledged that the Prime Rate is not necessarily the lowest rate of interest then available from Bank on fluctuating-rate loans; “**Proceeding**” means any assignment for the benefit of creditors, any case in bankruptcy, any marshalling of any Obligor’s assets for the benefit of creditors, any moratorium on the payment of debts, or any proceeding under any law relating to conservatorship, insolvency, liquidation, receivership, trusteeship, or any similar event, condition, or other thing; “**Related Writing**” means this Note and any indenture, note, guaranty, assignment, mortgage, security agreement, subordination agreement, notice, financial statement, legal opinion, certificate, or other writing of any kind pursuant to which all or any part of the Bank Debt of Borrower is issued, which evidences or secures all or any part of the Bank Debt of Borrower, which governs the relative rights and priorities of Bank and one or more other Persons to payments made by, or the property of, any Obligor, which is delivered to Bank pursuant to another such writing, or which is otherwise delivered to Bank by or on behalf of any Person (or any employee, officer, auditor, counsel, or agent of any Person) in respect of or in connection with all or any part of the Bank Debt of Borrower; “**Reporting Person**” means each Obligor and each member of any “Reporting Group” as defined in any addendum to this Note; and the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms.

5. Events of Default. It shall be an “**Event of Default**” if (a) all or any part of the Bank Debt of any Obligor shall not be paid in full promptly when due (whether by lapse of time, acceleration, or otherwise); (b) any representation, warranty, or other statement made by any Person (other than Bank) in any Related Writing shall be untrue or incomplete in any respect when made; (c) any Person (other than Bank) shall repudiate or shall fail or omit to perform or observe any agreement contained in this Note or in any other Related Writing that is on that Person’s part to

be complied with; (d) any indebtedness (other than any evidenced by this Note) of any Obligor shall not be paid when due, or there shall occur any event, condition, or other thing which gives (or which with the lapse of any applicable grace period, the giving of notice, or both would give) any creditor the right to accelerate or which automatically accelerates the maturity of any such indebtedness; (e) Bank shall not receive (in addition to any information described in any addendum to this Note) without expense to Bank, (i) forthwith upon each request of Bank made upon Borrower therefor, (A) such information in writing regarding each Reporting Person's financial condition, properties, business operations, if any, and pension plans, if any, prepared, in the case of financial information, in accordance with generally accepted accounting principles consistently applied and otherwise in form and detail satisfactory to Bank or (B) written permission, in form and substance satisfactory to Bank, from each Reporting Person to inspect (or to have inspected by one or more Persons selected by Bank) the properties and records of that Reporting Person and to make copies and extracts from those records or (ii) prompt written notice whenever Borrower (or any director, employee, officer, or agent of Borrower) knows or has reason to know that any Event of Default has occurred; (f) any judgment shall be entered against any Obligor in any judicial or administrative tribunal or before any arbitrator or mediator; (g) any Obligor shall fail or omit to comply with any applicable law, rule, regulation, or order in any material respect; (h) any proceeds of the loan evidenced by this Note shall be used for any purpose that is not in the ordinary course of Borrower's business; (i) any property in which any Obligor now has or hereafter acquires any rights or which now or hereafter secures any Bank Debt shall be or become encumbered by any mortgage, security interest, or other lien, except any mortgage, security interest, or other lien consented to by Bank; (j) any Obligor shall at any time or over any period of time sell, lease, or otherwise dispose of all or any material part of that Obligor's assets, except for inventory sold in the ordinary course of business and other assets sold, leased, or otherwise disposed of with the consent of Bank; (k) any Obligor shall cease to exist or shall be dissolved, become legally incapacitated, or die; (l) any Proceeding shall be commenced with respect to any Obligor; (m) there shall occur or commence to exist any event, condition, or other thing that constitutes an "Event of Default" as defined in any addendum to this Note; (n) there shall occur any event, condition, or other thing that has, or, in Bank's judgment, is likely to have, a material adverse effect on the financial condition, properties, or business operations of any Obligor or on Bank's ability to enforce or exercise any agreement or right arising under, out of, or in connection with any Related Writing; or (o) the holder of this Note shall, in good faith, believe that the prospect of payment or performance of any obligation evidenced by this Note is impaired.

6. Effects of Default. If any Event of Default (other than the commencement of any Proceeding with respect to Borrower) shall occur, then, and in each such case, notwithstanding any provision or inference to the contrary, Bank shall have the right in its discretion, by giving written notice to Borrower, to declare this Note to be due, whereupon the entire unpaid principal balance of this Note (if not already due) shall immediately become due and payable in full. If any Proceeding shall be commenced with respect to Borrower, then, notwithstanding any provision or inference to the contrary, automatically, without presentment, protest, or notice of dishonor, all of which are waived by all makers and all endorsers of this Note, now or hereafter existing, the entire unpaid principal balance of this Note (if not already due) shall immediately become due and payable in full.

7. Late Charges. If any principal of or interest on this Note is not paid within ten (10) days after its due date, then, and in each such case, Bank shall have the right to assess a late charge, payable by Borrower on demand, in an amount equal to the greater of Twenty and 00/100 Dollars (\$20.00) or five percent (5%) of the amount not timely paid.

8. No Setoff. Borrower hereby waives any and all now existing or hereafter arising rights to recoup or offset any obligation of Borrower under or in connection with this Note or any Related Writing against any claim or right of Borrower against Bank.

9. Indemnity: Administration and Enforcement. Borrower will reimburse Bank, on Bank's demand from time to time, for any and all fees, costs, and expenses (including, without limitation, the fees and disbursements of legal counsel) incurred by Bank in administering this Note or in protecting, enforcing, or attempting to protect or enforce its rights under this Note. If any amount (other than any principal of this Note and any interest and late charges) owing under this Note is not paid when due, then, and in each such case, Borrower shall pay, on Bank's demand, interest on that amount from the due date thereof until paid in full at a fluctuating rate equal to four percent (4%) per annum plus the Prime Rate.

10. Waivers; Remedies; Application of Payments. Bank may from time to time in its discretion grant waivers and consents in respect of this Note or any other Related Writing or assent to amendments thereof, but no such waiver, consent, or amendment shall be binding upon Bank unless set forth in a writing (which writing shall be narrowly construed) signed by Bank. No course of dealing in respect of, nor any omission or delay in the exercise of, any right, power, or privilege by Bank shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof or of any other, as each such right, power, or privilege may be exercised either independently or concurrently with others and as often and in such order as Bank may deem expedient. Without limiting the generality of the foregoing, neither Bank's acceptance of one or more late payments or charges nor Bank's acceptance of interest on overdue amounts at the respective rates applicable thereto shall constitute a waiver of any right of Bank. Each right, power, or privilege specified or referred to in this Note is in addition to and not in limitation of any other rights, powers, and privileges that Bank may otherwise have or acquire by operation of law, by other contract, or otherwise. Bank shall be entitled to equitable remedies with respect to each breach or anticipatory repudiation of any provision of this Note, and Borrower hereby waives any defense which might be asserted to bar any such equitable remedy. Bank shall have the right to apply payments in respect of the indebtedness evidenced by this Note with such allocation to the respective parts thereof and the respective due dates thereof as Bank in its sole discretion may from time to time deem advisable.

11. Other Provisions. The provisions of this Note shall bind Borrower and Borrower's successors and assigns and benefit Bank and its successors and assigns, including each subsequent holder, if any, of this Note. Except for Borrower and Bank and their respective successors and assigns, there are no intended beneficiaries of this Note or the loan evidenced by this Note. The provisions of sections 6 through 15, both inclusive, shall survive the payment in full of the principal of and interest on this Note. The captions to the sections and subsections of this Note are inserted for convenience only and shall be ignored in interpreting the provisions thereof. Each reference to a section includes a reference to all subsections thereof (i.e., those having the same character or characters to the left of the decimal point) except where the context clearly

does not so permit. If any provision in this Note shall be or become illegal or unenforceable in any case, then that provision shall be deemed modified in that case so as to be legal and enforceable to the maximum extent permitted by law while most nearly preserving its original intent, and in any case the illegality or unenforceability of that provision shall affect neither that provision in any other case nor any other provision. All fees, interest, and premiums for any given period shall accrue on the first day thereof but not on the last day thereof (unless the last day is the first day) and in each case shall be computed on the basis of a 360-day year and the actual number of days in the period. In no event shall interest accrue at a higher rate than the maximum rate, if any, permitted by law. Bank shall have the right to furnish to its Affiliates, and to such other Persons as Bank shall deem advisable for the conduct of its business, information concerning the business, financial condition, and property of Borrower, the amount of the Bank Debt of Borrower, and the terms, conditions, and other provisions applicable to the respective parts thereof. This Note shall be governed by the law State of Ohio.

12. Integration. This Note and, to the extent consistent with this Note, the other Related Writings, set forth the entire agreement of Borrower and Bank as to the subject matter of this Note, and may not be contradicted by evidence of any agreement or statement unless made in a writing (which writing shall be narrowly construed) signed by Bank contemporaneously with or after the execution and delivery of this Note. Without limiting the generality of the foregoing, Borrower hereby acknowledges that Bank has not based, conditioned, or offered to base or condition the credit hereby evidenced or any charges, fees, interest rates, or premiums applicable thereto upon Borrower's agreement to obtain any other credit, property, or service other than any loan, discount, deposit, or trust service from Bank. In the event and to the extent of any conflict between the terms hereof and the terms of any exhibit, schedule, addendum, allonge, modification or amendment hereto, the terms of such exhibit, schedule, addendum, allonge, modification or amendment shall control.

13. Notices and Other Communications. Each notice, demand, or other communication, whether or not received, shall be deemed to have been given to Borrower whenever Bank shall have mailed a writing to that effect by certified or registered mail to Borrower at Borrower's mailing address (or any other address of which Borrower shall have given Bank notice after the execution and delivery of this Note); however, no other method of giving actual notice to Borrower is hereby precluded. Borrower hereby irrevocably accepts Borrower's appointment as each Obligor's agent for the purpose of receiving any notice, demand, or other communication to be given by Bank to each such Obligor pursuant to any Related Writing. Bank shall be entitled to assume that any knowledge possessed by any Obligor other than Borrower is possessed by Borrower. Each communication to be given to Bank shall be in writing unless this Note expressly permits that communication to be made orally, and in any case shall be given to Bank at Bank's banking office (or any other address of which Bank shall have given notice to Borrower after the execution and delivery this Note). Borrower hereby assumes all risk arising out of or in connection with each oral communication given by Borrower and each communication given or attempted by Borrower in contravention of this section. Bank shall be entitled to rely on each communication believed in good faith by Bank to be genuine.

14. Warrant of Attorney. Borrower hereby authorizes any attorney at law at any time or times to appear in any state or federal court of record in the United States of America after all or any part of the obligations evidenced by this Note shall have become due, whether by lapse of time,

acceleration, or otherwise, and in each case to waive the issuance and service of process, to present to the court this Note and any other writing (if any) evidencing the obligation or obligations in question, to admit the due date thereof and the nonpayment thereof when due, to confess judgment against Borrower in favor of Bank for the full amount then appearing due, together with interest and costs of suit, and thereupon to release all errors and waive all rights of appeal and any stay of execution. The foregoing warrant of attorney shall survive any judgment, it being understood that should any judgment against Borrower be vacated for any reason, Bank may nevertheless utilize the foregoing warrant of attorney in thereafter obtaining one or more additional judgments against Borrower.

15. Jurisdiction and Venue; Waiver of Jury Trial. Any action, claim, counterclaim, crossclaim, proceeding, or suit, whether at law or in equity, whether sounding in tort, contract, or otherwise at any time arising under or in connection with this Note or any other Related Writing, the administration, enforcement, or negotiation of this Note or any other Related Writing or the performance of any obligation in respect of this Note or any other Related Writing (each such action, claim, counterclaim, crossclaim, proceeding, or suit, an “**Action**”) may be brought in any federal or state court located in the city in which Bank’s banking office is located. Borrower hereby unconditionally submits to the jurisdiction of any such court with respect to each such Action and hereby waives any objection Borrower may now or hereafter have to the venue of any such Action brought in any such court.

BORROWER HEREBY, AND EACH HOLDER OF THIS NOTE, BY TAKING POSSESSION THEREOF, KNOWINGLY AND VOLUNTARILY WAIVES JURY TRIAL IN RESPECT OF ANY ACTION.

**BORROWER: Northern Technologies
Holding Company, LLC**

By: First American Exchange Company, LLC
Its: Member

By: /s/ Steven P. Katkov

Printed Name: **Steven P. Katkov**
Title: **Vice President**

STATE OF MINNESOTA

COUNTY OF RAMSEY, SS:

The foregoing instrument was acknowledged before me on May 3, 2006, by **Steven P. Katkov**, the **Vice President of First American Exchange Company, LLC**, the Member of **Northern Technologies Holding Company, LLC**, a Minnesota limited liability company, on behalf of the Minnesota limited liability company.

/s/ Jodean Ives Fritz

Notary Public, Commission Expires: 1/31/2009

WARNING - BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

EXHIBIT A

(ATTACH AMORTIZATION SCHEDULE)

COMMERCIAL NOTE ADDENDUM (OHIO)

Amount	City, State	Date
\$1,275,000.00		May 3, 2006

This Commercial Note Addendum (this "**Addendum**") is made by **Northern Technologies Holding Company, LLC** ("**Borrower**"), a **Minnesota limited liability company**, and, at the place and as of the date first set forth above.

Borrower has executed and delivered to National City Bank ("**Bank**") a promissory note of even date herewith in the face amount set forth above and captioned Commercial Note: Term Single Advance.

This Addendum is hereby made a part of the note described above and that note is hereby supplemented by adding the following Events of Default thereto:

1A. Borrower's Information. It shall be an Event of Default if Bank shall not receive:

(a) as soon as available, and in any event within **60** days after each **quarter-annual fiscal period** of each of Borrower's fiscal years, the Reporting Group's balance sheet as at the end of the period and the Reporting Group's statements of cash flow, income, and surplus reconciliation for Borrower's then current fiscal year to date, prepared for Borrower alone, and on comparative basis with the prior year, in accordance with GAAP, and in form and detail satisfactory to Bank, and

(b) as soon as available, and in any event within **120** days after the end of each of Borrower's fiscal years, a complete copy of an annual report (including, without limitation, all financial statements therein and notes thereto) of the Reporting Group for that year, prepared in the manner described in the preceding clause (a), (i) certified, without qualification as to GAAP, as having been **audited** by independent certified public accountants selected by Borrower and satisfactory to Bank, and (ii) accompanied by a copy of any management report, letter, or similar writing furnished to any member of the Reporting Group by those accountants.

(c) concurrently with each delivery of financial statements described above in this section 1A, a compliance certificate signed by Borrower's chief financial officer (or other officer acceptable to Bank) and otherwise in form and substance satisfactory to Bank (i) certifying that to the best of that officer's knowledge and belief, (A) those financial statements have been prepared in accordance with GAAP and fairly present in all material respects the financial condition and results of operations of the Reporting Group, if any, in accordance with GAAP subject, in the case of interim financial statements, to routine year-end adjustments and (B) no Event of Default then exists or if any does, a brief description of the Event of Default and Borrower's intentions in respect thereof and (ii) setting forth calculations with respect to each subsection of section 2.

2. Financial Standards. It shall be an Event of Default if Borrower shall fail to comply with the following:

Debt Service Coverage. Borrower shall not, as of the last day of any Debt Service Coverage Measurement Period, commencing with the Debt Service Coverage Measurement Period ending on **December 31, 2006**, suffer or permit the ratio of the aggregate of (a) the Reporting Group's Net Income for that period, plus (b) the Reporting Group's interest expense for that period, plus (c) the Reporting Group's federal, state, and local income taxes, if any, for that period, plus (d) the Reporting Group's depreciation and amortization charges for that period to the aggregate of (i) the Reporting Group's interest expense for that period, plus (ii) the Reporting Group's unfunded investments (net after trade-ins, if any) in fixed and capital assets and leasehold improvements during that period, plus (iii) all Dividends/withdrawals (other than any made to one or more other members of the Reporting Group) paid by members of the Reporting Group during that period, plus (iv) an amount equal to the aggregate of all payments required to be made on Funded Debt by members of the Reporting Group during the period of twelve (12) consecutive months next succeeding the Debt Service Coverage Measurement Period in question to be less than **1.0:1.0**.

Each "**Debt Service Coverage Measurement Period**" shall be a period of a fiscal year of Borrower.

3. Mergers and Equity Investments. It shall be an Event of Default if any member of the Reporting Group shall, without having first obtained Bank's consent, (a) be a party to any merger or consolidation, (b) purchase or otherwise acquire all or substantially all of the assets and business of any corporation or other business enterprise, (c) create, acquire, or have any Subsidiary, or make or keep any investment in any stocks or other equity securities of any kind, except any existing investment or Subsidiary fully disclosed in the Most Recent Financial Statements or any future investment in the stocks or other equity securities of any such Subsidiary, (d) be or become a party to any joint venture or partnership, except any existing joint venture or partnership fully disclosed in the Most Recent Financial Statements, (e) sell or otherwise transfer any equity interest in any Subsidiary of that member to any other Person, except if and to the extent the sale or other transfer is required under applicable law solely for the purpose of qualifying directors, or (f) issue, if that member is a direct Subsidiary of any other member of the Reporting Group, any equity interest, except if and to the extent the issuance is to such other member or is required under applicable law solely for the purpose of qualifying directors.

4. Credit Extensions and Non-Equity Investments. It shall be an Event of Default if any member of the Reporting Group shall, without having first obtained Bank's consent, (a) make or have outstanding at any time any advance or loan to any Person, *except* any existing advance or loan fully disclosed in the Most Recent Financial Statements or any existing or future advance made by a member of the Reporting Group to an officer or employee of that member solely for the purpose of paying the ordinary and necessary business expenses of that member or (b) make or keep any investment in any notes, bonds, or other obligations of any kind for the payment of money, except any existing investment fully disclosed in the Most Recent Financial Statements or any existing or future investment, maturing not more than one (1) year from the date when made, in direct obligations of the United States of America or any agency thereof if the full faith and credit of the United States of America is obligated thereupon, in certificates of deposit issued by Bank, or in any other obligation that carries the highest quality rating of any nationally-recognized rating agency, or (c) be or become a guarantor of any kind, except any existing guaranty fully disclosed in the Most Recent Financial Statements or any existing or future endorsement of a check or other medium of payment for deposit or collection, or any similar transaction in the ordinary course of business.

5. Borrowings. It shall be an Event of Default if any member of the Reporting Group shall, without having first obtained Bank's consent, create, assume, or have outstanding at any time any Debt, *except* any existing Debt fully disclosed in the Most Recent Financial Statements, any existing or future Bank Debt, any existing or future Subordinated Debt, or any existing or future Debt secured by any mortgage, security interest, or other lien expressly consented to by Bank.

6. Banking Relationship. Borrower will maintain the majority of its depository and disbursement business with Bank.

7. Definitions. As used in this Addendum, except where the context clearly requires otherwise, "**Bank Debt**" means, collectively, all Debt to Bank, whether incurred directly to Bank or acquired by it by purchase, pledge, or otherwise, and whether participated to or from Bank in whole or in part; "**Debt**" means, collectively, all obligations of the Person or Persons in question, including, without limitation, every such obligation whether owing by one such Person alone or with one or more other Persons in a joint, several, or joint and several capacity, whether now owing or hereafter arising, whether owing absolutely or contingently, whether created by lease, loan, overdraft, guaranty of payment, or other contract, or by quasi-contract, tort, statute, other operation of law, or otherwise; "**Dividend**" means a payment made, liability incurred, or other consideration given by any Person (other than any stock dividend or stock split payable solely in capital stock of that Person) for the purchase, acquisition, redemption or retirement of any capital stock of that Person or as a dividend, return of capital, or other distribution in respect of that Person's capital stock; "**Funded Debt**" means all indebtedness for borrowed money, purchase money indebtedness and with respect to capitalized lease obligations, including each renewal or extension, if any, in whole or in part; "**GAAP**" means generally accepted accounting principles applied in a manner consistent with those used in preparation of the Most Recent Financial Statements; "**Most Recent Financial Statements**" means the financial statements included in the Reporting Group's most recent annual report delivered to Bank on or before the date of this Addendum; "**Net Income**" means net income as determined in accordance with GAAP, after taxes, if any, and after extraordinary items, but without giving effect to any gain resulting from any reappraisal or write-up of any asset; "**Person**" means an individual or entity of any kind, including, without limitation, any association, company, cooperative, corporation, partnership, trust, governmental body, or any other form or kind of entity; "**Reporting Group**" means (I) Borrower alone, if all of the financial statements hereinbefore selected are prepared for Borrower alone, in which case all determinations referred to in section 2 shall be for Borrower alone and in accordance with GAAP; (II) Borrower and each Subsidiary of Borrower, if any of the financial statements hereinbefore selected are prepared on a consolidated basis, in which case all determinations referred to in section 2 shall be on a consolidated basis and in accordance with GMP, and (III) Borrower and each other Person whose assets, liabilities, income, cash flow, and shareholders' equity are reported on a combined basis with those of Borrower, if any of the financial statements hereinbefore selected are prepared on a combined basis, in which case all determinations referred to in section 2 shall be on a combined basis and in accordance with GMP; "**Subordinated**", as applied to any liability of any Person, means a liability which at the time in question is subordinated (by a writing in form and substance satisfactory to Bank) in

favor of the prior payment in full of that Person's Debt to Bank; "**Subsidiary**" means a corporation or other business entity if shares constituting a majority of its outstanding capital stock (or other form of ownership) or constituting a majority of the voting power in any election of directors (or shares constituting both majorities) are (or upon the exercise of any outstanding warrants, options or other rights would be) owned directly or indirectly at the time in question by the corporation in question or another Subsidiary of that corporation or any combination of the foregoing; "**Tangible Net Worth**" means, as to any Person, the excess (as determined in accordance with GAAP) of the net book value (after deducting all applicable valuation reserves and without any consideration to any re-appraisal or write-up of assets) of that Person's tangible assets (i.e., all assets other than intangibles such as patents, costs of businesses over net assets acquired, good will, and treasury shares) over that Person's Debt; and the foregoing definitions shall be applicable to the respective plurals of the foregoing defined terms. Any accounting term used in Addendum shall have the meaning ascribed thereto by GAAP as in effect on the date hereof, subject, however, to such modification, if any, as may be provided in this Addendum or in the note hereby supplemented.

**BORROWER: Northern Technologies
Holding Company, LLC**

By: First American Exchange Company, LLC
Its: Member

By: /s/ Steven P. Katkov

Printed Name: **Steven P. Katkov**
Title: **Vice President**

STATE OF MINNESOTA

COUNTY OF RAMSEY, SS:

The foregoing instrument was acknowledged before me on May 3, 2006, by **Steven P. Katkov**, the **Vice President of First American Exchange Company, LLC**, the Member of **Northern Technologies Holding Company, LLC**, a Minnesota limited liability company, on behalf of the Minnesota limited liability company.

/s/ Jodean Ives Fritz

Notary Public, Commission Expires: 1/31/2009

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

FUNDING COST RECOVERY CHARGE ADDENDUM Ohio

Amount	City, State	Date
\$1,275,000.00		May 3, 2006

This Funding Cost Recovery Charge Addendum (this "**Addendum**") is made by Northern Technologies Holding Company, LLC ("**Borrower**") at the place and as of the date first set forth above.

Borrower has executed and delivered to **NATIONAL CITY BANK** ("**Bank**") a promissory note (the "Note") of even date herewith in the face amount set forth above and captioned Commercial Note: Term Single Advance.

This Addendum is hereby made a part of the Note and the Note is hereby supplemented by adding the following provisions thereto:

"Reinvestment Rate" means, on the Determination Date, the "bond equivalent yield" interpolated from the most actively traded U.S. Treasury Bills, U.S. Treasury Notes and/or U.S. Treasury Bonds to a term equal to the principal weighted average time (as measured in years from the date of calculation and rounded to the nearest 1/10th of a year) that all principal payments subject to early repayment are scheduled to be outstanding and bear interest at a fixed rate under the Note.

"Cost of Funds" means Bank's cost of funds as determined by Bank in the exercise of its sole discretion and quoted to Borrower upon request.

"Funding Cost" means Bank's original Cost of Funds used in determining the fixed rate in effect, or scheduled to be in effect, at the time of prepayment or acceleration, as applicable.

"Funding Cost Recovery Charge" is calculated as follows:

- Step 1. For each period that bears interest, or is scheduled to bear interest, at a fixed rate, multiply the difference between the Funding Cost and the Reinvestment Rate by the principal amount originally scheduled to be outstanding in each period (giving effect to any change thereto as a result of any prior prepayment for which a Funding Cost Recovery Charge has been determined pursuant to the terms of this Addendum), but either (a) will not be outstanding due to early repayment, in the case of a prepayment, or (b) has been accelerated so that such amount scheduled to be outstanding is already due, and multiply the result by the number of days in that period divided by 360; *provided, however*, that in no event shall any Funding Cost Recovery Charge hereunder be calculated for any period for which the Funding Cost has not yet been determined.
- Step 2. Calculate the present value of each number obtained in Step 1 in accordance with standard financial practice using a discount rate equal to the Reinvestment Rate.

**MORTGAGE
(Continued)**

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Step 3. Sum all the numbers obtained in Step 2 to arrive at the Funding Cost Recovery Charge.

The calculation is detailed mathematically as follows:

$$\text{Funding Cost Recovery Charge} = \text{SIGMA}_{i=1} \frac{(\text{FC} - \text{RR}) \times \text{Prin}_{i-1} \times (\text{Days}_i / 360)}{(1 + \text{RR}/\text{PF})^i}$$

Where:

SIGMA= Sigma. The sum from $i = 1$ to $i = n$. For each payment date i , perform the operations to the right of the sigma sign until $i=n$. Then sum the results.

i = 1,2,3 ... n where each number represents a scheduled future payment date for which the principal bears interest, or is scheduled to bear interest, at a fixed rate. The first scheduled payment date subsequent to the early prepayment date or the acceleration date, as applicable, is designated $i = 1$, the following payment date $i = 2$ and so on until $i = n$.

n = Number of remaining payment dates relating to periods bearing interest, or scheduled to bear interest, at a fixed rate.

FC = Funding Cost

RR = Reinvestment Rate

Prin_i = Principal amount originally scheduled to be outstanding on given date i but will not be outstanding due to early repayment or acceleration. When $i = 1$ then Prin_{i-1} is equal to the principal amount subject to early repayment on the date of prepayment or acceleration, as applicable.

Days_i = Number of days from payment date $(i - 1)$ to payment date L . When $i = 1$, Days_i is equal to the number of days from the later of the date of prepayment, acceleration, or the fixed rate start date, as applicable to payment date $i = 1$.

PF = Payment Frequency. The number of scheduled loan payments per year. [i.e. for monthly payments $PF=12$, for quarterly payments $PF=4$, etc.]

Bank's determination of the Funding Cost Recovery Charge shall be conclusive absent obvious error. Any prepayment shall be applied to any installments due on the Note in the inverse order of their respective due dates. Borrower acknowledges and agrees that the Funding Cost Recovery Charge (a) constitutes liquidated damages, (b) is a reasonable method of determining Bank's loss in the event all or any part of any principal of the Note is paid in whole or in part or accelerated before its original due date, and (c) is not a penalty.

MORTGAGE
(Continued)

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BORROWER, BY SIGNING BELOW, HEREBY ACKNOWLEDGES THAT BORROWER HAS BEEN GIVEN A FULL OPPORTUNITY TO REVIEW THIS ADDENDUM AND CONSULT WITH BORROWER'S LEGAL COUNSEL, ACCOUNTANTS AND/OR FINANCIAL PROFESSIONALS AS TO THE EFFECT AND CONSEQUENCES OF THIS ADDENDUM AND, HAVING HAD AN OPPORTUNITY TO DO SO, HEREBY AGREES TO BE BOUND BY ITS TERMS.

**BORROWER: Northern Technologies Holding
Company, LLC**

By: First American Exchange Company, LLC
Its: Member

By: /s/ Steven P. Katkov

Printed Name: **Steven P. Katkov**
Title: **Vice President**

STATE OF MINNESOTA

COUNTY OF RAMSEY, SS:

The foregoing instrument was acknowledged before me on May 3, 2006, by **Steven P. Katkov**, the **Vice President of First American Exchange Company, LLC**, the Member of **Northern Technologies Holding Company, LLC**, a Minnesota limited liability company, on behalf of the Minnesota limited liability company.

/s/ Jodean Ives Fritz

Notary Public, Commission Expires: 1/31/2009

MORTGAGE

RECORDATION REQUESTED BY:

National City Bank
Corporate Banking LOC 01-8485
1900 East Ninth Street
Cleveland, OH 44114

WHEN RECORDED MAIL TO:

National City Bank of Pennsylvania
P.O. Box 2977
Pittsburgh, PA 15230

SEND TAX NOTICES TO:

Northern Technologies Holding Company, LLC
6680 North Highway 49
Lino Lakes, MN 55014

National City®

MAXIMUM LIEN. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE MAXIMUM INDEBTEDNESS SECURED BY THIS MORTGAGE IS \$1,275,000.00.

THIS MORTGAGE dated May 3, 2006, is made and executed between Northern Technologies Holding Company, LLC, whose address is 6680 North Highway 49 Lino Lakes, MN 55014 (referred to below as "Grantor") and National City Bank, whose address is 1900 East Ninth Street, Cleveland, OH 44114 (referred to below as "Lender").

GRANT OF MORTGAGE. For valuable consideration, Grantor mortgages and conveys to Lender all of Grantor's right, title, and interest in and to the following described real property, together with all existing or subsequently erected or affixed buildings, improvements and fixtures; all easements, rights of way, and appurtenances; all water, water rights, watercourses and ditch rights (including stock in utilities with ditch or irrigation rights); and all other rights, royalties, and profits relating to the real property, including without limitation all minerals, oil, gas, geothermal and similar matters, **(the "Real Property") located in Anoka County, State of Minnesota:**

See Exhibit "A", which is attached to this Mortgage and made a part of this Mortgage as if fully set forth herein.

The Real Property or its address is commonly known as 22 Village Parkway, Circle Pines, MN 55014. The Real Property tax identification number is see attached Exhibit "A".

CROSS-COLLATERALIZATION. In addition to the Note, this Mortgage secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or

**MORTGAGE
(Continued)**

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not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

Grantor presently assigns to Lender all of Grantor's right, title, and interest in and to all present and future leases of the Property and all Rents from the Property. In addition, Grantor grants to Lender a Uniform Commercial Code security interest in the Personal Property and Rents.

FUTURE ADVANCES. In addition to the Note, this Mortgage secures all future advances made by Lender to Grantor whether or not the advances are made pursuant to a commitment. Specifically, without limitation, this Mortgage secures, In addition to the amounts specified in the Note, all future amounts Lender in its discretion may loan to Grantor, together with all interest thereon.

THIS MORTGAGE, INCLUDING THE ASSIGNMENT OF RENTS AND THE SECURITY INTEREST IN THE RENTS AND PERSONAL PROPERTY, IS GIVEN TO SECURE (A) PAYMENT OF THE INDEBTEDNESS AND (B) PERFORMANCE OF ANY AND ALL OBLIGATIONS UNDER THE NOTE AND THIS MORTGAGE. THIS MORTGAGE IS GIVEN AND ACCEPTED ON THE FOLLOWING TERMS:

PAYMENT AND PERFORMANCE. Except as otherwise provided in this Mortgage, Grantor shall pay to Lender all amounts secured by this Mortgage as they become due and shall strictly perform all of Grantor's obligations under this Mortgage.

POSSESSION AND MAINTENANCE OF THE PROPERTY. Grantor agrees that Grantor's possession and use of the Property shall be governed by the following provisions:

Possession and Use. Until the occurrence of an Event of Default, Grantor may (1) remain in possession and control of the Property; (2) use, operate or manage the Property; and (3) collect the Rents from the Property.

Duty to Maintain. Grantor shall maintain the Property in tenable condition and promptly perform all repairs, replacements, and maintenance necessary to preserve its value.

Compliance With Environmental Laws. Grantor represents and warrants to Lender that: (1) During the period of Grantor's ownership of the Property, there has been no use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance by any person on, under, about or from the Property; (2) Grantor has no knowledge of, or reason to believe that there has been, except as previously disclosed to and acknowledged by Lender in writing, (a) any breach or violation of any Environmental Laws, (b) any use, generation, manufacture, storage, treatment, disposal, release or threatened release of any Hazardous Substance on, under, about or from the Property by any prior owners or occupants of the Property, or (c) any actual or threatened litigation or claims of any kind by any person relating to such matters; and (3) Except as previously disclosed to and acknowledged by Lender in writing, (a) neither Grantor nor any tenant, contractor, agent or other authorized user of the Property shall use, generate, manufacture, store, treat, dispose of or release any Hazardous Substance on, under, about or from the Property; and (b) any such activity shall be conducted in compliance with all applicable federal, state, and local laws, regulations and ordinances, including without limitation all Environmental Laws. Grantor authorizes Lender and its agents to enter upon the Property to make such inspections

and tests, at Grantor's expense, as Lender may deem appropriate to determine compliance of the Property with this section of the Mortgage. Any inspections or tests made by Lender shall be for Lender's purposes only and shall not be construed to create any responsibility or liability on the part of Lender to Grantor or to any other person. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Property for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any such laws; and (2) agrees to indemnify and hold harmless Lender against any and all claims, losses, liabilities, damages, penalties, and expenses, including attorneys' fees, consultants' fees, and costs which Lender may directly or indirectly sustain or suffer resulting from a breach of this section of the Mortgage or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Grantor's ownership or interest in the Property, whether or not the same was or should have been known to Grantor. The provisions of this section of the Mortgage, including the obligation to indemnify, shall survive the payment of the Indebtedness and the satisfaction and reconveyance of the lien of this Mortgage and shall not be affected by Lender's acquisition of any interest in the Property, whether by foreclosure or otherwise.

Nuisance, Waste. Grantor shall not cause, conduct or permit any nuisance nor commit, permit, or suffer any stripping of or waste on or to the Property or any portion of the Property. Without limiting the generality of the foregoing, Grantor will not remove, or grant to any other party the right to remove, any timber, minerals (including oil and gas), coal, clay, scoria, soil, gravel or rock products without Lender's prior written consent.

Removal of Improvements. Grantor shall not demolish or remove any Improvements from the Real Property without Lender's prior written consent. As a condition to the removal of any Improvements, Lender may require Grantor to make arrangements satisfactory to Lender to replace such Improvements with Improvements of at least equal value.

Lender's Right to Enter. Lender and Lender's agents and representatives may enter upon the Real Property at all reasonable times to attend to Lender's interests and to inspect the Real Property for purposes of Grantor's compliance with the terms and conditions of this Mortgage.

Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the use or occupancy of the Property, including without limitation, the Americans With Disabilities Act. Grantor may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Grantor has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Property are not jeopardized. Lender may require Grantor to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Duty to Protect. Grantor agrees neither to abandon or leave unattended the Property. Grantor shall do all other acts, in addition to those acts set forth above in this section, which from the character and use of the Property are reasonably necessary to protect and preserve the Property.

DUE ON SALE - CONSENT BY LENDER. Lender may, at Lender's option, declare immediately due and payable all sums secured by this Mortgage upon the sale or transfer, without Lender's prior written consent, of all or any part of the Real Property, or any interest in the Real Property. A "sale or transfer" means the conveyance of Real Property or any right, title or interest in the Real Property; whether legal, beneficial or equitable; whether voluntary or involuntary; whether by outright sale, deed, installment sale

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(Continued)**

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contract, land contract, contract for deed, leasehold interest with a term greater than three (3) years, lease-option contract, or by sale, assignment, or transfer of any beneficial interest in or to any land trust holding title to the Real Property, or by any other method of conveyance of an interest in the Real Property. If any Grantor is a corporation, partnership or limited liability company, transfer also includes any change in ownership of more than fifty percent (50%) of the voting stock, partnership interests or limited liability company interests, as the case may be, of such Grantor. However, this option shall not be exercised by Lender if such exercise is prohibited by federal law or by Minnesota law.

TAXES AND LIENS. The following provisions relating to the taxes and liens on the Property are part of this Mortgage:

Payment. Grantor shall pay when due (and in all events prior to delinquency) all taxes, payroll taxes, special taxes, assessments, water charges and sewer service charges levied against or on account of the Property, and shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the Interest of Lender under this Mortgage, except for those liens specifically agreed to in writing by Lender, and except for the lien of taxes and assessments not due as further specified in the Right to Contest paragraph.

Right to Contest. Grantor may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as Lender's interest in the Property is not jeopardized. If a lien arises or is filed as a result of nonpayment, Grantor shall within fifteen (15) days after the lien arises or, if a lien is filed, within fifteen (15) days after Grantor has notice of the filing, secure the discharge of the lien, or if requested by Lender, deposit with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender in an amount sufficient to discharge the lien plus any costs and reasonable attorneys' fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. In any contest, Grantor shall defend itself and Lender and shall satisfy any adverse judgment before enforcement against the Property. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings.

Evidence of Payment. Grantor shall upon demand furnish to Lender satisfactory evidence of payment of the taxes or assessments and shall authorize the appropriate governmental official to deliver to Lender at any time a written statement of the taxes and assessments against the Property.

Notice of Construction. Grantor shall notify Lender at least fifteen (15) days before any work is commenced, any services are furnished, or any materials are supplied to the Property, if any mechanic's lien, materialmen's lien, or other lien could be asserted on account of the work, services, or materials. Grantor will upon request of Lender furnish to Lender advance assurances satisfactory to Lender that Grantor can and will pay the cost of such improvements.

PROPERTY DAMAGE INSURANCE. The following provisions relating to insuring the Property are a part of this Mortgage:

Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements on a replacement basis for the full insurable value covering all Improvements on the Real Property in an amount sufficient to avoid application of any coinsurance clause, and with a standard mortgagee clause in favor of Lender. Grantor shall also procure and maintain comprehensive general liability insurance in such coverage amounts as Lender may request with Lender being named as additional insureds in such liability insurance policies. Additionally, Grantor shall maintain such other insurance, including but not limited to hazard,

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(Continued)**

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business interruption and boiler insurance as Lender may require. Policies shall be written by such insurance companies and in such form as may be reasonably acceptable to Lender. Grantor shall deliver to Lender certificates of coverage from each insurer containing a stipulation that coverage will not be cancelled or diminished without a minimum of thirty (30) days' prior written notice to Lender and not containing any disclaimer of the insurer's liability for failure to give such notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. Should the Real Property be located in an area designated by the Director of the Federal Emergency Management Agency as a special flood hazard area, Grantor agrees to obtain and maintain Federal Flood Insurance, if available, within 45 days after notice is given by Lender that the Property is located in a special flood hazard area, for the full unpaid principal balance of the loan and any prior liens on the property securing the loan, up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Lender, and to maintain such insurance for the term of the loan.

Application of Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Property. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. Whether or not Lender's security is impaired, Lender may, at Lender's election, receive and retain the proceeds of any insurance and apply the proceeds to the reduction of the Indebtedness, payment of any lien affecting the Property, or the restoration and repair of the Property. If Lender elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed Improvements in a manner satisfactory to Lender. Lender shall, upon satisfactory proof of such expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration if Grantor is not in default under this Mortgage. Any proceeds which have not been disbursed within 180 days after their receipt and which Lender has not committed to the repair or restoration of the Property shall be used first to pay any amount owing to Lender under this Mortgage, then to pay accrued interest, and the remainder, if any, shall be applied to the principal balance of the Indebtedness. If Lender holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor as Grantor's interests may appear.

Grantor's Report on Insurance. Upon request of Lender, however not more than once a year, Grantor shall furnish to Lender a report on each existing policy of insurance showing: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured, the then current replacement value of such property, and the manner of determining that value; and (5) the expiration date of the policy. Grantor shall, upon request of Lender, have an independent appraiser satisfactory to Lender determine the cash value replacement cost of the Property.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Property or if Grantor fails to comply with any provision of this Mortgage or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Mortgage or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Mortgage also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**MORTGAGE
(Continued)**

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WARRANTY; DEFENSE OF TITLE. The following provisions relating to ownership of the Property are a part of this Mortgage:

Title. Grantor warrants that: (a) Grantor holds good and marketable title of record to the Property in fee simple, free and clear of all liens and encumbrances other than those set forth in the Real Property description or in any title insurance policy, title report, or final title opinion issued in favor of, and accepted by, Lender in connection with this Mortgage, and (b) Grantor has the full right, power, and authority to execute and deliver this Mortgage to Lender.

Defense of Title. Subject to the exception in the paragraph above, Grantor warrants and will forever defend the title to the Property against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Lender under this Mortgage, Grantor shall defend the action at Grantor's expense. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of Lender's own choice, and Grantor will deliver, or cause to be delivered, to Lender such instruments as Lender may request from time to time to permit such participation.

Compliance With Laws. Grantor warrants that the Property and Grantor's use of the Property complies with all existing applicable laws, ordinances, and regulations of governmental authorities.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Mortgage shall survive the execution and delivery of this Mortgage, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

CONDEMNATION. The following provisions relating to condemnation proceedings are a part of this Mortgage:

Proceedings. If any proceeding in condemnation is filed, Grantor shall promptly notify Lender in writing, and Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award. Grantor may be the nominal party in such proceeding, but Lender shall be entitled to participate in the proceeding and to be represented in the proceeding by counsel of its own choice, and Grantor will deliver or cause to be delivered to Lender such instruments and documentation as may be requested by Lender from time to time to permit such participation.

Application of Net Proceeds. If all or any part of the Property is condemned by eminent domain proceedings or by any proceeding or purchase in lieu of condemnation, Lender may at its election require that all or any portion of the net proceeds of the award be applied to the Indebtedness or the repair or restoration of the Property. The net proceeds of the award shall mean the award after payment of all reasonable costs, expenses, and attorneys' fees incurred by Lender in connection with the condemnation.

IMPOSITION OF TAXES, FEES AND CHARGES BY GOVERNMENTAL AUTHORITIES. The following provisions relating to governmental taxes, fees and charges are a part of this Mortgage:

**MORTGAGE
(Continued)**

Loan No: 98076

Current Taxes, Fees and Charges. Upon request by Lender, Grantor shall execute such documents in addition to this Mortgage and take whatever other action is requested by Lender to perfect and continue Lender's lien on the Real Property. Grantor shall reimburse Lender for all taxes, as described below, together with all expenses incurred in recording, perfecting or continuing this Mortgage, including without limitation all taxes, fees, documentary stamps, and other charges for recording or registering this Mortgage.

Taxes. The following shall constitute taxes to which this section applies: (1) a specific tax upon this type of Mortgage or upon all or any part of the Indebtedness secured by this Mortgage; (2) a specific tax on Grantor which Grantor is authorized or required to deduct from payments on the Indebtedness secured by this type of Mortgage; (3) a tax on this type of Mortgage chargeable against the Lender or the holder of the Note; and (4) a specific tax on all or any portion of the Indebtedness or on payments of principal and interest made by Grantor.

Subsequent Taxes. If any tax to which this section applies is enacted subsequent to the date of this Mortgage, this event shall have the same effect as an Event of Default, and Lender may exercise any or all of its available remedies for an Event of Default as provided below unless Grantor either (1) pays the tax before it becomes delinquent, or (2) contests the tax as provided above in the Taxes and Liens section and deposits with Lender cash or a sufficient corporate surety bond or other security satisfactory to Lender.

SECURITY AGREEMENT; FINANCING STATEMENTS. The following provisions relating to this Mortgage as a security agreement are a part of this Mortgage:

Security Agreement. This instrument shall constitute a Security Agreement to the extent any of the Property constitutes fixtures, and Lender shall have all of the rights of a secured party under the Uniform Commercial Code as amended from time to time.

Security Interest. Upon request by Lender, Grantor shall take whatever action is requested by Lender to perfect and continue Lender's security interest in the Rents and Personal Property. In addition to recording this Mortgage in the real property records, Lender may, at any time and without further authorization from Grantor, file executed counterparts, copies or reproductions of this Mortgage as a financing statement. Grantor shall reimburse Lender for all expenses incurred in perfecting or continuing this security Interest. Upon default, Grantor shall not remove, sever or detach the Personal Property from the Property. Upon default, Grantor shall assemble any Personal Property not affixed to the Property in a manner and at a place reasonably convenient to Grantor and Lender and make it available to Lender within three (3) days after receipt of written demand from Lender to the extent permitted by applicable law.

Addresses. The mailing addresses of Grantor (debtor) and Lender (secured party) from which information concerning the security interest granted by this Mortgage may be obtained (each as required by the Uniform Commercial Code) are as stated on the first page of this Mortgage.

FURTHER ASSURANCES; ATTORNEY-IN-FACT. The following provisions relating to further assurances and attorney-in-fact are a part of this Mortgage:

Further Assurances. At any time, and from time to time, upon request of Lender, Grantor will make, execute and deliver, or will cause to be made, executed or delivered, to Lender or to Lender's designee, and when requested by Lender, cause to be filed, recorded, refiled, or rerecorded, as the case may be, at such times and in such offices and places as Lender may deem appropriate, any and

**MORTGAGE
(Continued)**

Loan No: 98076

all such mortgages, deeds of trust, security deeds, security agreements, financing statements, continuation statements, instruments of further assurance, certificates, and other documents as may, in the sole opinion of Lender, be necessary or desirable in order to effectuate, complete, perfect, continue, or preserve (1) Grantor's obligations under the Note, this Mortgage, and the Related Documents, and (2) the liens and security interests created by this Mortgage as first and prior liens on the Property, whether now owned or hereafter acquired by Grantor. Unless prohibited by law or Lender agrees to the contrary in writing, Grantor shall reimburse Lender for all costs and expenses incurred in connection with the matters referred to in this paragraph.

Attorney-In-Fact. If Grantor fails to do any of the things referred to in the preceding paragraph, Lender may do so for and in the name of Grantor and at Grantor's expense. For such purposes, Grantor hereby irrevocably appoints Lender as Grantor's attorney-in-fact for the purpose of making, executing, delivering, filing, recording, and doing all other things as may be necessary or desirable, in Lender's sole opinion, to accomplish the matters referred to in the preceding paragraph.

FULL PERFORMANCE. If Grantor pays all the Indebtedness, including without limitation all future advances, when due, and otherwise performs all the obligations imposed upon Grantor under this Mortgage, Lender shall execute and deliver to Grantor a suitable satisfaction of this Mortgage and suitable statements of termination of any financing statement on file evidencing Lender's security interest in the Rents and the Personal Property. Grantor will pay, if permitted by applicable law, any reasonable termination fee as determined by Lender from time to time.

EVENTS OF DEFAULT. Each of the following, at Lender's option, shall constitute an Event of Default under this Mortgage:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Default on Other Payments. Failure of Grantor within the time required by this Mortgage to make any payment for taxes or insurance, or any other payment necessary to prevent filing of or to effect discharge of any lien.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Mortgage or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Mortgage or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Mortgage or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Death or Insolvency. The dissolution of Grantor's (regardless of whether election to continue is made), any member withdraws from the limited liability company, or any other termination of Grantor's existence as a going business or the death of any member, the insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

**MORTGAGE
(Continued)**

Loan No: 98076

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any property securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Breach of Other Agreement. Any breach by Grantor under the terms of any other agreement between Grantor and Lender that is not remedied within any grace period provided therein, including without limitation any agreement concerning any indebtedness or other obligation of Grantor to Lender, whether existing now or later.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

RIGHTS AND REMEDIES ON DEFAULT. Upon the occurrence of an Event of Default and at any time thereafter, Lender, at Lender's option, may exercise any one or more of the following rights and remedies, in addition to any other rights or remedies provided by law:

Accelerate Indebtedness. Lender shall have the right at its option without notice to Grantor to declare the entire Indebtedness immediately due and payable, including any prepayment penalty which Grantor would be required to pay.

UCC Remedies. With respect to all or any part of the Personal Property, Lender shall have all the rights and remedies of a secured party under the Uniform Commercial Code. If notice to Grantor of the intended disposition of the Personal Property is required by law in a particular instance, such notice shall be deemed commercially reasonable if given to Grantor at least ten (10) calendar days prior to the date of intended disposition. Grantor shall pay on demand all costs and expenses, including but not limited to reasonable attorneys' fees and legal expenses, incurred by Lender in exercising these rights and remedies.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, and to collect the Rents from the Property and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

MORTGAGE
(Continued)

Loan No: 98076

Foreclosure and Sale. Lender may, and is hereby authorized and empowered to, foreclose this Mortgage by action or advertisement pursuant to the statutes of the State of Minnesota providing for such foreclosure. Power is expressly granted to Lender (1) to sell the Property at public auction and to convey the Property, in fee simple, to the purchasers at such sale, and (2) to pay, out of the proceeds of the sale, all of the Indebtedness secured by this Mortgage, with interest, and all legal costs and charges of the foreclosure including the maximum attorneys' fees permitted by law and Grantor agrees to pay all such costs, and charges and fees.

Other Remedies. Lender shall have all other rights and remedies provided in this Mortgage or the Note or available at law or in equity.

Sale of the Property. To the extent permitted by applicable law, Grantor hereby waives any and all right to have the Property marshalled. In exercising its rights and remedies, Lender shall be free to sell all or any part of the Property together or separately, in one sale or by separate sales. Lender shall be entitled to bid at any public sale on all or any portion of the Property.

Notice of Sale. Lender shall give Grantor reasonable notice of the time and place of any public sale of the Personal Property or of the time after which any private sale or other intended disposition of the Personal Property is to be made. Reasonable notice shall mean notice given at least ten (10) days before the time of the sale or disposition. Any sale of the Personal Property may be made in conjunction with any sale of the Real Property.

Election of Remedies. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Mortgage, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies. Nothing under this Mortgage or otherwise shall be construed so as to limit or restrict the rights and remedies available to Lender following an Event of Default, or in any way to limit or restrict the rights and ability of Lender to proceed directly against Grantor and/or against any other co-maker, guarantor, surety or endorser and/or to proceed against any other collateral directly or indirectly securing the Indebtedness.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Mortgage, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's reasonable attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including reasonable attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Grantor also will pay any court costs, in addition to all other sums provided by law.

NOTICES. Any notice required to be given under this Mortgage, including without limitation any notice of default and any notice of sale shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first

**MORTGAGE
(Continued)**

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class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Mortgage. All copies of notices of foreclosure from the holder of any lien which has priority over this Mortgage shall be sent to Lender's address, as shown near the beginning of this Mortgage. Any party may change its address for notices under this Mortgage by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

ADDENDUM TO THE DEFINITION OF INDEBTEDNESS. The word "Indebtedness" shall include any and all obligations and liabilities of Borrower/Grantor to National City Bank, an affiliate of Lender, whether absolute or contingent, whether now existing or hereafter created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) under any agreement, device or arrangement designed to protect Borrower/Grantor from fluctuations of interest rates, exchange rates or forward rates, including, but not limited to, dollar-denominated or cross-currency exchange agreements, forward currency exchange agreements, interest rate caps, collars or floors, forward rate currency or interest rate options, puts, warrants, swaps, swaptions, U.S. Treasury locks and U.S. Treasury options, any other interest rate hedging transactions, such as, but not limited to, managing the Borrower's/Grantor's interest rate risk associated with any pending or potential capital market transactions such as fixed rate bond issues and any and all cancellations, buybacks, reversals, terminations or assignments of any of the foregoing.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Mortgage:

Amendments. This Mortgage, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Mortgage. No alteration of or amendment to this Mortgage shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Annual Reports. If the Property is used for purposes other than Grantor's residence, Grantor shall furnish to Lender, upon request, a certified statement of net operating income received from the Property during Grantor's previous fiscal year in such form and detail as Lender shall require. "Net operating income" shall mean all cash receipts from the Property less all cash expenditures made in connection with the operation of the Property.

Caption Headings. Caption headings in this Mortgage are for convenience purposes only and are not to be used to interpret or define the provisions of this Mortgage.

Grantor's Copy of Documents. Lender agrees to provide Grantor with a conformed copy of both the Note and this Mortgage at the time they are executed or within a reasonable time after request.

Governing Law. With respect to procedural matters related to the perfection and enforcement of Lender's rights against the Property, this Mortgage will be governed by federal law applicable to Lender and to the extent not preempted by federal law, the laws of the State of Minnesota. In all other respects, this Mortgage will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Ohio without regard to its conflicts of law provisions. However, if there ever is a question about whether any provision of this Mortgage is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction that is evidenced by the Note and this Mortgage has been applied for, considered, approved and made, and all necessary loan documents have been accepted by Lender in the State of Ohio.

**MORTGAGE
(Continued)**

Loan No: 98076

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Mortgage unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Mortgage shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Mortgage. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Mortgage, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Severability. If a court of competent jurisdiction finds any provision of this Mortgage to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Mortgage. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Mortgage shall not affect the legality, validity or enforceability of any other provision of this Mortgage.

Merger. There shall be no merger of the interest or estate created by this Mortgage with any other interest or estate in the Property at any time held by or for the benefit of Lender in any capacity, without the written consent of Lender.

Successors and Assigns. Subject to any limitations stated in this Mortgage on transfer of Grantor's interest, this Mortgage shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Property becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Mortgage and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Mortgage or liability under the Indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Mortgage.

Waive Jury. All parties to this Mortgage hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Mortgage. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Mortgage shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Northern Technologies Holding Company, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

**MORTGAGE
(Continued)**

Loan No: 98076

Default. The word “Default” means the Default set forth in this Mortgage in the section titled “Default”.

Environmental Laws. The words “Environmental Laws” mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. (“CERCLA”), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 (“SARA”), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto or common law, and shall also include pollutants, contaminants, polychlorinated biphenyls, asbestos, urea formaldehyde, petroleum and petroleum products, and agricultural chemicals.

Event of Default. The words “Event of Default” mean any of the events of default set forth in this Mortgage in the events of default section of this Mortgage.

Grantor. The word “Grantor” means Northern Technologies Holding Company, LLC.

Guaranty. The word “Guaranty” means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words “Hazardous Substances” mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words “Hazardous Substances” are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term “Hazardous Substances” also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Improvements. The word “Improvements” means all existing and future improvements, buildings, structures, mobile homes affixed on the Real Property, facilities, additions, replacements and other construction on the Real Property.

Indebtedness. The word “Indebtedness” means all principal, interest, and other amounts, costs and expenses payable under the Note or Related Documents, together with all renewals of, extensions of, modifications of, consolidations of and substitutions for the Note or Related Documents and any amounts expended or advanced by Lender to discharge Grantor’s obligations or expenses incurred by Lender to enforce Grantor’s obligations under this Mortgage, together with interest on such amounts as provided in this Mortgage. Specifically, without limitation, Indebtedness includes the future advances set forth in the Future Advances provision, together with all interest thereon and all amounts that may be indirectly secured by the Cross-Collateralization provision of this Mortgage.

Lender. The word “Lender” means National City Bank, its successors and assigns.

Mortgage. The word “Mortgage” means this Mortgage between Grantor and Lender.

Note. The word “Note” means the promissory note dated April 28, 2006, in the original principal amount of \$1,275,000.00 from Grantor to Lender, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the promissory note or agreement.

**MORTGAGE
(Continued)**

Loan No: 98076

Personal Property. The words "Personal Property" mean all equipment, fixtures, and other articles of personal property now or hereafter owned by Grantor, and now or hereafter attached or affixed to the Real Property; together with all accessions, parts, and additions to, all replacements of, and all substitutions for, any of such property; and together with all proceeds (including without limitation all insurance proceeds and refunds of premiums) from any sale or other disposition of the Property.

Property. The word "Property" means collectively the Real Property and the Personal Property.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Mortgage.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Rents. The word "Rents" means all present and future rents, revenues, income, issues, royalties, profits, and other benefits derived from the Property.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS MORTGAGE, AND GRANTOR AGREES TO ITS TERMS.

See Addendum to Loan Documents attached hereto and made a part hereof for additional provisions.

GRANTOR:

NORTHERN TECHNOLOGIES HOLDING COMPANY, LLC

FIRST AMERICAN EXCHANGE COMPANY, LLC, Member of Northern Technologies Holding Company, LLC

By: /s/ Steven P. Katkov

Steven P. Katkov, Vice President of First American Exchange Company, LLC

This Mortgage was drafted by:

National City Bank
1900 East Ninth Street
Cleveland, OH 44114

**MORTGAGE
(Continued)**

Loan No: 98076

LIMITED LIABILITY COMPANY ACKNOWLEDGEMENT

STATE OF MINNESOTA)
)ss.
COUNTY OF RAMSEY)

On this 3rd day of May, 2006, before me, the undersigned Notary Public, personally appeared Steven P. Katkov, Vice President of First American Exchange Company, LLC, and known to me to be a member or designated agent of the limited liability company that executed the Mortgage and acknowledged the Mortgage to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Mortgage and in fact executed the Mortgage on behalf of the limited liability company.

By /s/ Jodean Ives Fritz

Residing at Ramsey County, Minnesota
My commission expires 01-31-09

Notary Public in and for the State of Minnesota

ADDENDUM TO LOAN DOCUMENTS

This Addendum is made and entered into by Northern Technologies Holding Company, LLC (“Borrower”) in favor of National City Bank (“Bank”). The following provisions are incorporated into and made a part of the attached loan document:

1. **CONFLICT.** Notwithstanding anything to the contrary set forth in the attached document or in any of the other documents (“Loan Documents”) related to the \$\$1,275,000 loan (“Loan”) from Bank to Borrower, in the event of a conflict between the terms of the Loan Documents and the terms of this Addendum, the terms of this Addendum shall govern.
2. **NO RECOURSE.** Notwithstanding anything to the contrary herein, the Bank hereby waives any right to obtain a money judgment against the Borrower and any and all members, managers, shareholders, partners and employees of the Borrower, whether by an action brought upon the Mortgage given by Borrower to Bank dated of even date herewith (“Mortgage”) or an action brought for a deficiency judgment against the Borrower and/or the members, managers, shareholders, partners and employees of the Borrower, and agrees that the extent of liability on the part of such parties with respect to the Commercial Note given by Borrower in favor of Bank dated of even date herewith, the Mortgage, and any other related loan document is and shall for all purposes be limited to the interest of the Borrower in the Mortgaged Property, including policies of hazard insurance on the Mortgaged Property and any proceeds thereof and any award of damages on account of condemnation for public use of the Mortgaged Property, the Bank agreeing to look solely to the Borrower’s interest in the Mortgaged Property and such insurance policies and condemnation awards in satisfaction of all obligations, provided, that nothing in this provision shall be deemed to waive any recourse or rights of the Bank under any guaranty of the obligations of the Borrower under this Mortgage.
3. **PERMITTED TRANSFERS.** Notwithstanding anything to the contrary set forth in the Mortgage or any other related loan document, the Bank has agreed that (A) the Borrower may deed, transfer and assign the Mortgaged Property to (i) Northern Technologies International Corporation, a Delaware corporation (“NTIC”) or any entity controlled by, under common with, or controlling NTIC, provided, that (a) no default shall have occurred under the Note or any other loan document related thereto and (b) the relevant Transferee shall have entered into documents reasonably required by the Bank to assume all obligations of the Borrower hereunder, under the Note and the other loan documents related thereto and/or (B) any ownership interests in Borrower may be transferred by and among First American Exchange Company, LLC and/or NTIC and/or any entity controlled by, under common with, or controlling NTIC. Notwithstanding anything to the contrary set forth in the Mortgage or any other related loan document, the foregoing permitted transfers shall not constitute a default under any such documents.
4. **EXCHANGE LOAN.** Notwithstanding anything to the contrary set forth in the Mortgage or any other related loan document, the Bank has consented to that certain subordinated loan given by NTIC to Borrower as evidenced by that certain Promissory Note (“Subordinated Note”) given by Borrower in favor of NTIC, which is secured by that certain Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Financing Statement (“Subordinated Mortgage”) given by Borrower in favor of NTIC. Notwithstanding anything to the contrary set forth in the Mortgage or any other related loan document, the foregoing permitted subordinate loan shall not constitute a default under any such documents.
5. **COUNTERPARTS.** This Addendum may be executed in any number of counterparts, each of which when executed and delivered will be deemed to be an original and all of which taken together, will be deemed to be one and the same instrument.

**MORTGAGE
(Continued)**

Loan No: 98076

IN WITNESS WHEREOF, the parties have executed this Addendum to be effective as of May 3, 2006.

**NORTHERN TECHNOLOGIES
HOLDING COMPANY, LLC,**
a Minnesota limited liability company

NATIONAL CITY BANK, a national
banking association

By: /s/ Joseph R. McMullin, Jr.

By: **FIRST AMERICAN EXCHANGE
COMPANY, LLC,** a Delaware
limited liability company
Its: Sole Member

Name: Joseph R. McMullin, Jr.
Its: Assistant Vice President

By: /s/ Steven P. Katkov

Steven P. Katkov
Vice President

STATE OF OHIO)
)ss.
COUNTY OF CUYAHOGA)

This instrument was acknowledged before me on May 2, 2006, by Joseph R. McMullin, Jr., the Asst. Vice Pres. of National City Bank, a national banking association, on behalf of the _____.

/s/ Deborah L. Mottoss

Notarial Stamp or Seal (or other title or rank)

Signature of Notary Public or other Official
Notary Public, State of Ohio
My Commission Expires April 21, 2009

STATE OF MINNESOTA)
)ss.
COUNTY OF RAMSEY)

This instrument was acknowledged before me on May 3, 2006, by Steven P. Katkov, the Vice President of First American Exchange Company, LLC, a Delaware limited liability company, on behalf of the Company.

/s/ Jodean Ives Fritz

Notarial Stamp or Seal (or other title or rank)

Signature of Notary Public or other Official
Notary Public, State of Minnesota
My Commission Expires January 31, 2009

National City

COMMERCIAL GUARANTY

Borrower: Northern Technologies Holding Company, LLC
6680 North Highway 49
Lino Lakes, MN 55014

Lender: National City Bank
Corporate Banking LOC 01-8485
1900 East Ninth Street
Cleveland, OH 44114

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

CONTINUING UNLIMITED GUARANTY. For good and valuable consideration, Northern Technologies International Corporation (“Guarantor”) absolutely and unconditionally guarantees and promises to pay to National City Bank (“Lender”) or its order, in legal tender of the United States of America, the Indebtedness (as that term is defined below) of Northern Technologies Holding Company, LLC (“Borrower”) to Lender when due on the terms and conditions set forth in this Guaranty. Under this Guaranty, the liability of Guarantor is unlimited and the obligations of Guarantor are continuing.

INDEBTEDNESS. The word “Indebtedness” as used in this Guaranty means all of the principal amount outstanding from time to time and at any one or more times, accrued unpaid interest thereon and all collection costs and legal expenses related thereto permitted by law, reasonable attorneys’ fees, arising from any and all debts, liabilities and obligations of every nature or form, now existing or hereafter arising or acquired, that Borrower individually or collectively or interchangeably with others, owes or will owe Lender. “Indebtedness” includes, without limitation, loans, advances, debts, overdraft indebtedness, credit card indebtedness, lease obligations, liabilities and obligations under any interest rate protection agreements or foreign currency exchange agreements or commodity price protection agreements, other obligations, and liabilities of Borrower, and any present or future judgments against Borrower, future advances, loans or transactions that renew, extend, modify, refinance, consolidate or substitute these debts, liabilities and obligations whether: voluntarily or involuntarily incurred; due or to become due by their terms or acceleration; absolute or contingent; liquidated or unliquidated; determined or undetermined; direct or indirect; primary or secondary in nature or arising from a guaranty or surety; secured or unsecured; joint or several or joint and several; evidenced by a negotiable or non-negotiable instrument or writing; originated by Lender or another or others; barred or unenforceable against Borrower for any reason whatsoever; for any transactions that may be voidable for any reason (such as infancy, insanity, ultra vires or otherwise); and originated then reduced or extinguished and then afterwards increased or reinstated.

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If Lender presently holds one or more guaranties, or hereafter receives additional guaranties from Guarantor, Lender's rights under all guaranties shall be cumulative. This Guaranty shall not (unless specifically provided below to the contrary) affect or invalidate any such other guaranties. Guarantor's liability will be Guarantor's aggregate liability under the terms of this Guaranty and any such other unexpired guaranties.

CONTINUING GUARANTY. THIS IS A "CONTINUING GUARANTY" UNDER WHICH GUARANTOR AGREES TO GUARANTEE THE FULL AND PUNCTUAL PAYMENT, PERFORMANCE AND SATISFACTION OF THE INDEBTEDNESS OF BORROWER TO LENDER, NOW EXISTING OR HEREAFTER ARISING OR ACQUIRED, ON AN OPEN AND CONTINUING BASIS. ACCORDINGLY, ANY PAYMENTS MADE ON THE INDEBTEDNESS WILL NOT DISCHARGE OR DIMINISH GUARANTOR'S OBLIGATIONS AND LIABILITY UNDER THIS GUARANTY FOR ANY REMAINING AND SUCCEEDING INDEBTEDNESS EVEN WHEN ALL OR PART OF THE OUTSTANDING INDEBTEDNESS MAY BE A ZERO BALANCE FROM TIME TO TIME.

DURATION OF GUARANTY. This Guaranty will take effect when received by Lender without the necessity of any acceptance by Lender, or any notice to Guarantor or to Borrower, and will continue in full force until all the Indebtedness incurred or contracted before receipt by Lender of any notice of revocation shall have been fully and finally paid and satisfied and all of Guarantor's other obligations under this Guaranty shall have been performed in full. If Guarantor elects to revoke this Guaranty, Guarantor may only do so in writing. Guarantor's written notice of revocation must be mailed to Lender, by certified mail, at Lender's address listed above or such other place as Lender may designate in writing. Written revocation of this Guaranty will apply only to advances or new Indebtedness created after actual receipt by Lender of Guarantor's written revocation. For this purpose and without limitation, the term "new Indebtedness" does not include the Indebtedness which at the time of notice of revocation is contingent, unliquidated, undetermined or not due and which later becomes absolute, liquidated, determined or due. This Guaranty will continue to bind Guarantor for all the Indebtedness incurred by Borrower or committed by Lender prior to receipt of Guarantor's written notice of revocation, including any extensions, renewals, substitutions or modifications of the Indebtedness. All renewals, extensions, substitutions, and modifications of the Indebtedness granted after Guarantor's revocation, are contemplated under this Guaranty and, specifically will not be considered to be new Indebtedness. This Guaranty shall bind Guarantor's estate as to the Indebtedness created both before and after Guarantor's death or incapacity, regardless of Lender's actual notice of Guarantor's death. Subject to the foregoing, Guarantor's executor or administrator or other legal representative may terminate this Guaranty in the same manner in which Guarantor might have terminated it and with the same effect. Release of any other guarantor or termination of any other guaranty of the Indebtedness shall not affect the liability of Guarantor under this Guaranty. A revocation Lender receives from any one or more Guarantors

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shall not affect the liability of any remaining Guarantors under this Guaranty. It is anticipated that fluctuations may occur in the aggregate amount of the Indebtedness covered by this Guaranty, and Guarantor specifically acknowledges and agrees that reductions in the amount of the Indebtedness, even to zero dollars (\$0.00), prior to Guarantor's written revocation of this Guaranty shall not constitute a termination of this Guaranty. This Guaranty is binding upon Guarantor and Guarantor's heirs, successors and assigns so long as any of the Indebtedness remains unpaid and even though the Indebtedness may from time to time be zero dollars (\$0.00).

GUARANTOR'S AUTHORIZATION TO LENDER. Guarantor authorizes Lender, either before or after any revocation hereof, without notice or demand and without lessening Guarantor's liability under this Guaranty, from time to time: (A) prior to revocation as set forth above, to make one or more additional secured or unsecured loans to Borrower, to lease equipment or other goods to Borrower, or otherwise to extend additional credit to Borrower; (B) to alter, compromise, renew, extend, accelerate, or otherwise change one or more times the time for payment or other terms of the Indebtedness or any part of the Indebtedness, including increases and decreases of the rate of interest on the Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) to take and hold security for the payment of this Guaranty or the Indebtedness, and exchange, enforce, waive, subordinate, fail or decide not to perfect, and release any such security, with or without the substitution of new collateral; (D) to release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or other guarantors on any terms or in any manner Lender may choose; (E) to determine how, when and what application of payments and credits shall be made on the Indebtedness; (F) to apply such security and direct the order or manner of sale thereof, including without limitation, any nonjudicial sale permitted by the terms of the controlling security agreement or deed of trust, as Lender in its discretion may determine; (G) to sell, transfer, assign or grant participations in all or any part of the Indebtedness; and (H) to assign or transfer this Guaranty in whole or in part.

GUARANTOR'S REPRESENTATIONS AND WARRANTIES. Guarantor represents and warrants to Lender that (A) no representations or agreements of any kind have been made to Guarantor which would limit or qualify, in any way the terms of this Guaranty; (B) this Guaranty is executed at Borrower's request and not at the request of Lender; (C) Guarantor has full power, right and authority to enter into this Guaranty; (D) the provisions of this Guaranty do not conflict with or result in a default under any agreement or other instrument binding upon Guarantor and do not result in a violation of any law, regulation, court decree or order applicable to Guarantor; (E) Guarantor has not and will not, without the prior written consent of Lender, sell, lease, assign, encumber, hypothecate, transfer, or otherwise dispose of all or substantially all of Guarantor's assets, or any interest therein; (F) upon Lender's request, Guarantor will provide to Lender financial and credit information in form acceptable to Lender, and all such financial information which currently has been, and all future financial information which will be provided to Lender is and will be true and correct in all material respects and fairly present Guarantor's financial condition as of the dates the financial information is provided; (G) no material adverse change has occurred in Guarantor's financial condition since the date of the

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most recent financial statements provided to Lender and no event has occurred which may materially adversely affect Guarantor's financial condition; (H) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) against Guarantor is pending or threatened; (I) Lender has made no representation to Guarantor as to the creditworthiness of Borrower; and (J) Guarantor has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Guarantor agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Guarantor's risks under this Guaranty, and Guarantor further agrees that, absent a request for information, Lender shall have no obligation to disclose to Guarantor any information or documents acquired by Lender in the course of its relationship with Borrower.

GUARANTOR'S WAIVERS. Except as prohibited by applicable law, Guarantor waives any right to require Lender (A) to continue lending money or to extend other credit to Borrower; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Indebtedness or of any nonpayment related to any collateral, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Indebtedness or in connection with the creation of new or additional loans or obligations; (C) to resort for payment or to proceed directly or at once against any person, including Borrower or any other guarantor; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, or at any time, with respect to any matter whatsoever.

Guarantor also waives any and all rights or defenses based on suretyship or impairment of collateral including, but not limited to, any rights or defenses arising by reason of (A) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Guarantor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (B) any election of remedies by Lender which destroys or otherwise adversely affects Guarantor's subrogation rights or Guarantor's rights to proceed against Borrower for reimbursement, including without limitation, any loss of rights Guarantor may suffer by reason of any law limiting, qualifying, or discharging the Indebtedness; (C) any disability or other defense of Borrower, of any other guarantor, or of any other person, or by reason of the cessation of Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the Indebtedness; (D) any right to claim discharge of the Indebtedness on the basis of unjustified impairment of any collateral for the Indebtedness; (E) any statute of limitations, if at any time any action or suit, brought by Lender against Guarantor is commenced, there is outstanding Indebtedness which is not barred by any applicable statute of limitations; or (F) any defenses given to guarantors at law or in equity other than actual payment and performance of the Indebtedness. If payment is made by Borrower, whether voluntarily or otherwise, or by any third party, on the Indebtedness and thereafter Lender is forced to remit the amount of that payment to Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the Indebtedness shall be considered unpaid for the purpose of the enforcement of this Guaranty.

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Guarantor further waives and agrees not to assert or claim at any time any deductions to the amount guaranteed under this Guaranty for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by the Borrower, the Guarantor, or both.

GUARANTOR'S UNDERSTANDING WITH RESPECT TO WAIVERS. Guarantor warrants and agrees that each of the waivers set forth above is made with Guarantor's full knowledge of its significance and consequences and that, under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the extent permitted by law or public policy.

SUBORDINATION OF BORROWER'S DEBTS TO GUARANTOR. Guarantor agrees that the Indebtedness, whether now existing or hereafter created, shall be superior to any claim that Guarantor may now have or hereafter acquire against Borrower, whether or not Borrower becomes insolvent. Guarantor hereby expressly subordinates any claim Guarantor may have against Borrower, upon any account whatsoever, to any claim that Lender may now or hereafter have against Borrower. In the event of insolvency and consequent liquidation of the assets of Borrower, through bankruptcy, by an assignment for the benefit of creditors, by voluntary liquidation, or otherwise, the assets of Borrower applicable to the payment of the claims of both Lender and Guarantor shall be paid to Lender and shall be first applied by Lender to the Indebtedness. Guarantor does hereby assign to Lender all claims which it may have or acquire against Borrower or against any assignee or trustee in bankruptcy of Borrower; provided however, that such assignment shall be effective only for the purpose of assuring to Lender full payment in legal tender of the Indebtedness. If Lender so requests, any notes or credit agreements now or hereafter evidencing any debts or obligations of Borrower to Guarantor shall be marked with a legend that the same are subject to this Guaranty and shall be delivered to Lender. Guarantor agrees, and Lender is hereby authorized, in the name of Guarantor, from time to time to file financing statements and continuation statements and to execute documents and to take such other actions as Lender deems necessary or appropriate to perfect, preserve and enforce its rights under this Guaranty.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Guaranty:

Amendments. This Guaranty, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Guaranty. No alteration of or amendment to this Guaranty shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

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Attorneys' Fees; Expenses. Guarantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's reasonable attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Guaranty. Lender may hire or pay someone else to help enforce this Guaranty, and Guarantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's reasonable attorneys' fees and legal expenses whether or not there is a lawsuit, including reasonable attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Guarantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Guaranty are for convenience purposes only and are not to be used to interpret or define the provisions of this Guaranty.

Governing law. This Guaranty will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Ohio without regard to its conflicts of law provisions. This Guaranty has been accepted by Lender in the State of Ohio.

Integration. Guarantor further agrees that Guarantor has read and fully understands the terms of this Guaranty; Guarantor has had the opportunity to be advised by Guarantor's attorney with respect to this Guaranty; the Guaranty fully reflects Guarantor's intentions and parol evidence is not required to interpret the terms of this Guaranty. Guarantor hereby indemnifies and holds Lender harmless from all losses, claims, damages, and costs (including Lender's attorneys' fees) suffered or incurred by Lender as a result of any breach by Guarantor of the warranties, representations and agreements of this paragraph.

Interpretation. In all cases where there is more than one Borrower or Guarantor, then all words used in this Guaranty in the singular shall be deemed to have been used in the plural where the context and construction so require; and where there is more than one Borrower named in this Guaranty or when this Guaranty is executed by more than one Guarantor, the words "Borrower" and "Guarantor" respectively shall mean all and any one or more of them. The words "Guarantor," "Borrower," and "Lender" include the heirs, successors, assigns, and transferees of each of them. If a court finds that any provision of this Guaranty is not valid or should not be enforced, that fact by itself will not mean that the rest of this Guaranty will not be valid or enforced. Therefore, a court will enforce the rest of the provisions of this Guaranty even if a provision of this Guaranty may be found to be invalid or unenforceable. If anyone or more of Borrower or Guarantor are corporations, partnerships, limited liability companies, or similar entities, it is not necessary for Lender to inquire into the powers of Borrower or Guarantor or of the officers, directors, partners, managers, or other agents acting or purporting to act on their behalf, and any indebtedness made or created in reliance upon the professed exercise of such powers shall be guaranteed under this Guaranty.

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Notices. Any notice required to be given under this Guaranty shall be given in writing, and, except for revocation notices by Guarantor, shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Guaranty. All revocation notices by Guarantor shall be in writing and shall be effective upon delivery to Lender as provided in the section of this Guaranty entitled "DURATION OF GUARANTY." Any party may change its address for notices under this Guaranty by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Guarantor agrees to keep Lender informed at all times of Guarantor's current address. Unless otherwise provided or required by law, if there is more than one Guarantor, any notice given by Lender to any Guarantor is deemed to be notice given to all Guarantors.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Guaranty unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Guaranty shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Guaranty. No prior waiver by Lender, nor any course of dealing between Lender and Guarantor, shall constitute a waiver of any of Lender's rights or of any of Guarantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Guaranty, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors and Assigns. Subject to any limitations stated in this Guaranty on transfer of Guarantor's interest, this Guaranty shall be binding upon and inure to the benefit of the parties, their successors and assigns.

FINANCIAL INFORMATION. Guarantor will furnish to Lender, at Guarantor's expense, promptly upon each request of Lender, such information in writing regarding Guarantor's financial condition, income taxes, properties, business operations, if any, and pension plans, if any, as Lender may from time to time reasonably request, prepared, in the case of financial information, in accordance with generally accepted accounting principles consistently applied and otherwise in form and detail satisfactory to Lender.

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GUARANTY FINAL AGREEMENT. This Guaranty and the related documents set forth the entire agreement between the parties regarding the transactions contemplated hereby and supersede all prior agreements, commitments, discussions, representations and understandings, whether written or oral, and any and all contemporaneous oral agreements, commitments, discussions, representations and understandings between the parties relating to the subject matter hereof.

SHARING INFORMATION. Guarantor hereby authorizes Lender to share all credit and financial information relating to Guarantor with Lender's parent company and with any subsidiary or affiliate of Lender or of Lender's parent company.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Guaranty. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Guaranty shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Northern Technologies Holding Company, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Guarantor. The word "Guarantor" means everyone signing this Guaranty, including without limitation Northern Technologies International Corporation, and in each case, any signer's successors and assigns.

Guaranty. The word "Guaranty" means this guaranty from Guarantor to Lender.

Indebtedness. The word "Indebtedness" means Borrower's indebtedness to Lender as more particularly described in this Guaranty.

Lender. The word "Lender" means National City Bank, its successors and assigns.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

EACH UNDERSIGNED GUARANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS GUARANTY AND AGREES TO ITS TERMS. IN ADDITION, EACH GUARANTOR UNDERSTANDS THAT THIS GUARANTY IS EFFECTIVE UPON GUARANTOR'S EXECUTION AND DELIVERY OF THIS GUARANTY TO LENDER AND THAT THE GUARANTY WILL CONTINUE UNTIL TERMINATED IN THE MANNER SET FORTH IN THE SECTION TITLED "DURATION OF GUARANTY." NO FORMAL ACCEPTANCE BY LENDER IS NECESSARY TO MAKE THIS GUARANTY EFFECTIVE. THIS GUARANTY IS DATED APRIL 28, 2006.

GUARANTOR:

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

By: /s/ Matthew C. Wolsfeld

Matthew C. Wolsfeld, Chief Financial Officer of
Northern Technologies International Corporation