

PART II

Item 3. Incorporation of Documents by Reference.

The following documents filed with the Securities and Exchange Commission are incorporated by reference in this Registration Statement and made a part hereof:

- (a) The Company's Annual Report on Form 10-KSB for the fiscal year ended February 27, 1998;
- (b) The Company's Quarterly Reports on Form 10-QSB for the quarter ended May 29;
- (c) The description of the Company's Common Stock set forth in the Company's Registration Statement on Form 8-A, dated November 9, 1990, pursuant to which the Company registered the Common Stock pursuant under Section 12(g) of the Exchange Act; and
- (d) All other documents filed by the Company after the date of this Registration Statement under Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, prior to the filing of a post-effective amendment to the Registration Statement which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and part of this Registration Statement from the date of filing of such documents.

Item 4. Description of Securities.

The description of the Common Stock is incorporated by reference herein to the Company's Registration Statement on Form 8-A. See "Item 3. Incorporation of Documents by Reference."

Item 5. Interest of Named Experts and Counsel.

Not Applicable.

Item 6. Indemnification of Directors and Officers.

Pennsylvania law provides that a Pennsylvania corporation may indemnify directors, officers, employees and agents of the corporation against liabilities they may incur in such capacities for any action taken or any failure to act, whether or not the corporation would have the power to indemnify the person under any provision of law, unless such action or failure to act is determined by a court to have constituted recklessness or willful misconduct. Pennsylvania law also permits the adoption of a bylaw amendment, approved by shareholders, providing for the elimination of a director's liability for monetary damages for any action taken or any failure to take any action unless (1) the director has breached or failed to perform the duties of his office and (2) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

The bylaws of the Company provide for (1) indemnification of directors, officers, employees and agents of the Registrant and (2) the elimination of a director's liability for monetary damages, to the fullest extent permitted by Pennsylvania law unless the director has breached or failed to perform the duties of his or her office under Subchapter B of Chapter 17 of the Pennsylvania Business Corporation Law of 1988, as it may be amended, and such breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Directors and officers are also insured against certain liabilities for their actions, as such, by an insurance policy obtained by the Company.

Item 7. Exemption from Registration Claimed.

Not Applicable.

Item 8. Exhibits

Exhibits:

Number	Title
4.1	Articles of Incorporation of Registrant (Incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-KSB for the year ended February 28, 1997).
4.2	By-Laws of Registrant (Incorporated by reference to Exhibit 3(ii) to the Registrant's Annual Report on Form 10-K for the year ended February 25, 1994).
5.1	Opinion of Stevens & Lee
23.1	Consent of Stevens & Lee (included in Exhibit 5.1)
23.2	Consent of Grant Thornton, LLP
24.1	Power of Attorney (included on signature page)
99.1	Environmental Tectonics Corporation 1998 Stock Option Plan.

Item 9. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by these paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That for the purpose of determining any liability

under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form S-8 and has authorized this registration statement to be signed on its behalf by the undersigned in the Town of Oaks, State of Pennsylvania on October 1, 1998.

ENVIRONMENTAL TECTONICS CORPORATION

By: /s/ William F. Mitchell
William F. Mitchell,
President and Chief Executive
Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints William F. Mitchell or Jeffrey P. Waldron, Esquire, and each of them, his true and lawful attorney-in-fact, as agent with full power of substitution and resubstitution for him and in his name, place and stead, in any and all capacity, to sign any or all amendments to this Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting to such attorney-in-fact and agents full power and authority to do and

perform each and every act and this requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement was signed below by the following persons and in the capacities and on the dates stated.

Signature

/s/ William F. Mitchell William F. Mitchell	Chairman of the Board, President and Director (Principal Executive Officer)	October 1, 1998
/s/ Duane D. Deaner Duane D. Deaner	Chief Financial Officer (Principal Financial and Accounting Officer)	October 1, 1998
/s/ Richard E. McAdams Richard E. McAdams	Executive Vice President and Director	October 1, 1998
/s/ Pete L. Stephens Pete L. Stephens, M.D.	Director	October 1, 1998
/s/ Craig MacNab Craig MacNab	Director	October 1, 1998
/s/ Philip L. Wagner Philip L. Wagner, Ph.D.	Director	October 7, 1998

EXHIBIT INDEX

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99.1	Environmental Tectonics Corporation 1998 Stock Option Plan.

October 8, 1998

Board of Directors
Environmental Tectonics Corporation
County Line Industrial Park
Southampton, Pennsylvania 18906

Re: Environmental Tectonics Corporation 1998 Stock Option Plan

Gentlemen:

You have asked us to provide you with our opinion whether the 500,000 shares of common stock, par value \$0.10 per share (the "Common Stock"), of Environmental Tectonics Corporation (the "Company") that may be issued from time to time pursuant to the exercise of options issued under the Environmental Tectonics Corporation 1998 Stock Option Plan (the "Plan"), when and if such shares are issued pursuant to and in accordance with the Plan, will be duly and validly issued, fully paid and nonassessable. We, as counsel to the Company, have reviewed:

1. The Pennsylvania Business Corporation Law of 1988, as amended;
2. The Articles of Incorporation of the Company;
3. The By-laws of the Company; and
4. The minutes of the Board of Directors of the Company adopted on September 30, 1998, as certified by the Corporate Secretary of the Company.

Based on our review of such documents, it is our opinion that the Common Stock issuable upon the exercise of options granted under the Plan, when and as issued and paid for in accordance with the provisions of the Plan, will be duly and validly issued, fully paid and nonassessable. In giving the foregoing opinion, we have assumed that the Company will have, at the time of the issuance of such Common Stock, a sufficient number of authorized shares available for issue.

We consent to the filing of this opinion as an exhibit to the registration statement the Company is filing today in connection with the registration of 500,000 shares of the Company's Common Stock, and to the reference to us under the heading "legal matters" in the related Prospectus. In giving this consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the Rules and Regulations of the Securities and Exchange Commission thereunder.

Very truly yours

/s/ Stevens & Lee

STEVENS & LEE

WORD PERFECT SYSTEM

Long Document Name: OPINION LETTER - ENVIRONMENTAL TECTONICS CORPORATION 1998 STOCK OPTION PLAN

System Document Name: O:\DMS\WJR\0087819.WP
Document Location: Reading

Additional Information:

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DUPLICATE: ___ yes ___ no (New Client/Matter No. _____)

SAVE FOR BLACKLINING PRIOR TO REVISIONS: ___ yes ___ no

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DELETE PRIOR VERSION(S) SAVED FOR BLACKLINING: ___ yes ___ no

Litigation Dept. Use: PROFILE'S TITLE/SUBJECT AREA:

procedural posture: _____

substantive issues: _____

NOTE(S) TO NEXT WORD PROCESSING SPECIALIST:

Origination Date: 10/02/98

Author's Initials: WJR

Last Revised By: lms/tlt/mm

Last Revision Date: 10-2;10-8

Paragraph Numbering:

1 =	4 =	7 =
2 =	5 =	8 =
3 =	6 =	

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated May 1, 1998 accompanying the consolidated financial statements of Environmental Tectonics Corporation and Subsidiary included in the Annual Report on Form 10-KSB for the year ended February 27, 1998 which is incorporated by reference in this Registration Statement. We consent to the incorporation by reference in the Registration Statement of the aforementioned report.

/s/ Grant Thornton LLP

GRANT THORNTON LLP

Philadelphia, Pennsylvania
October 7, 1998

ENVIRONMENTAL TECTONICS CORPORATION
1998 STOCK OPTION PLAN

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ARTICLE 1. PURPOSE OF THE PLAN; TYPE OF OPTIONS

1.1 Purpose. The Environmental Tectonics Corporation 1998 Stock Option Plan is intended to provide selected Employees of Environmental Tectonics Corporation and its Subsidiaries an opportunity to acquire Common Stock of the Corporation. The Plan is designed to help the Corporation attract, retain and motivate talented employees and to induce selected individuals to make substantial contributions to the success of its business.

1.2 Stock Options to be Granted. Incentive Stock Options and Nonqualified Stock Options may be granted within the limitations of the Plan herein described.

ARTICLE 2. DEFINITIONS

2.1 "Agreement" means the written instrument evidencing the grant of an Option. A Participant may be issued one or more Agreements from time to time, reflecting one or more Options.

2.2 "Board" means the Board of Directors of the Corporation.

2.3 "Cause" means that an Optionee (i) is convicted of, or enters a plea of nolo contendere to, (A) a felony or (B) a crime of fraud or other dishonesty with respect to the Corporation, a Subsidiary, or any successor to either, or (ii) wilfully fails to follow the lawful instructions of the Board after the Optionee's receipt of written notice of such instructions, other than a failure resulting from the Optionee's incapacity because of physical or mental illness.

2.4 "Code" means the Internal Revenue Code of 1986, as

amended and as the same may hereafter be amended, and the regulations promulgated thereunder.

2.5 "Committee" means the Committee which the Board appoints to administer the Plan in accordance with the provisions of Section 3.1.

2.6 "Common Stock" means the common stock of the Corporation (\$0.10 par value) as described in the Corporation's Articles of Incorporation, or such other stock as shall be substituted therefor.

2.7 "Corporation" means Environmental Tectonics Corporation, a Pennsylvania corporation.

2.8 "Effective Date" means the date specified in Section 10.1.

2.9 "Employee" means any common law employee of the Corporation or a Subsidiary who is considered to be a "key employee" and regularly works on a substantially full-time basis, <PAGE 1> as determined by the Committee from time to time.

2.10 "Exchange Act" means the Securities Exchange Act of 1934, as amended and as the same may hereafter be amended, and the regulations promulgated thereunder.

2.11 "Exercise Price" means the price per share applicable to an Option, as determined pursuant to Section 5.1.

2.12 "Incentive Stock Option" means a Stock Option intended to satisfy the requirements of Code Section 422(b).

2.13 "Nonqualified Stock Option" means a Stock Option other than an Incentive Stock Option.

2.14 "Optionee" means a Participant who is awarded a Stock Option pursuant to the provisions of the Plan. Such term also includes any person holding an Option as a permitted successor or transferee of such a Participant.

2.15 "Participant" means an Employee selected by the Committee to receive a grant of an Option under the Plan.

2.16 "Plan" means the Environmental Tectonics Corporation 1998 Stock Option Plan.

2.17 "Retirement" means termination of employment upon or following the attainment of age 65.

2.18 "Securities Act" means the Securities Act of 1933, as amended and as the same may hereafter be amended, and the regulations promulgated thereunder.

2.19 "Stock Option" or "Option" means an award of a right to purchase Common Stock pursuant to the provisions of the Plan.

2.20 "Subsidiary" means a "subsidiary corporation," as defined in Code Section 424(f), that is a subsidiary of the Corporation or, as the context requires, another corporation.

ARTICLE 3. ADMINISTRATION OF THE PLAN

3.1 The Committee. The Plan shall be administered by a committee of the Board composed of two or more members all of whom are (i) "non-employee directors," as such term is defined under the rules and regulations adopted from time to time by the Securities and Exchange Commission pursuant to Section 16(b) of the Exchange

Act, and (ii) "outside directors," within the meaning of Code Section 162(m). The Board may from time to time remove members from, or add members to, the Committee. Vacancies on the Committee, howsoever caused, shall be filled by the Board.

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3.2 Powers of the Committee.

(a) The Committee shall be vested with full authority to make such rules and regulations as it deems necessary or desirable to administer the Plan and to interpret the provisions of the Plan, unless otherwise determined by a majority of the disinterested members of the Board. Any determination, decision or action of the Committee in connection with the construction, interpretation, administration or application of the Plan shall be final, conclusive and binding upon all Optionees and any person claiming under or through an Optionee, unless otherwise determined by a majority of the disinterested members of the Board.

(b) Subject to the terms, provisions and conditions of the Plan and subject to ratification by a majority of the disinterested members of the Board, the Committee shall have exclusive jurisdiction to:

(i) determine and select, based upon the recommendation of the Corporation's Chief Executive Officer (except as to himself), the Employees to be granted Options (it being understood that more than one Option may be granted to the same person);

(ii) determine the number of shares of Common Stock subject to each Option;

(iii) determine the date or dates when the Options will be granted, which dates shall not be earlier than the date of Board ratification;

(iv) determine the Exercise Price of the shares subject to each Option;

(v) determine the date or dates when each Option may be exercised within the term of the Option specified pursuant to Article 7;

(vi) determine whether or not an Option constitutes an Incentive Stock Option; and

(vii) prescribe the form, which shall be consistent with this Plan document, of the Agreement evidencing any Options granted under the Plan.

3.3 Terms. The grant of an Option under the Plan shall be evidenced by an Agreement and may include any terms and conditions that are not inconsistent with this Plan document, as the Committee may determine.

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3.4 Liability. No member of the Board or the Committee shall be liable for any action or determination made in good faith by the Board or the Committee with respect to the Plan or any Options granted under the Plan.

ARTICLE 4. COMMON STOCK SUBJECT TO THE PLAN

4.1 Common Stock Authorized. The aggregate number of shares of Common Stock for which Options may be granted under the Plan shall not exceed 500,000 shares. The limitation established by the preceding sentence shall be subject to adjustment as provided in

Article 9.

4.2 Shares Available. The capital stock to be issued upon exercise of Options granted under the Plan shall be the Corporation's Common Stock which shall be made available, at the discretion of the Board, either from authorized but unissued Common Stock or from Common Stock acquired by the Corporation. In the event that any outstanding Option under the Plan for any reason expires or is terminated, the shares of Common Stock allocable to the unexercised portion of such Option may thereafter be made subject to another Option.

ARTICLE 5. STOCK OPTIONS

5.1 Exercise Price. The Exercise Price of a Stock Option shall be, in the case of an Incentive Stock Option, 100 percent of the fair market value of one share of Common Stock on the date the Option is granted, except that the Exercise Price shall be 110 percent of such fair market value in the case of an Incentive Stock Option granted to any individual described in Section 6.2. The Exercise Price of a Stock Option shall be, in the case of a Nonqualified Stock Option, not less than 100 percent of the fair market value of one share of Common Stock on the date the Option is granted. The Exercise Price of an Option shall be subject to adjustment only as provided in Article 9.

5.2 Limitation on Incentive Stock Options. The aggregate fair market value (determined as of the date an Option is granted) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any individual in any calendar year (under the Plan and all other plans maintained by the Corporation and its Subsidiaries) shall not exceed \$100,000.

5.3 Determination of Fair Market Value.

(a) During such time as Common Stock is not listed on an established stock exchange or exchanges but is listed on the NASDAQ National Market System, the fair market value per share shall be the closing sale price for a share of the Common Stock on the day the Option is granted. If no sale of Common Stock occurs on that day, the fair market value shall be <PAGE 4> determined by reference to such price for the next preceding day on which a sale occurred.

(b) During such time as the Common Stock is not listed on an established stock exchange or on the NASDAQ National Market System, the fair market value per share shall be the mean between the closing dealer "bid" and "asked" prices for a share of the Common Stock on the day the Option is granted. If no "bid" and "asked" prices are quoted for the day of the grant, the fair market value shall be determined by reference to such prices on the next preceding day on which such prices were quoted.

(c) If the Common Stock is listed on an established stock exchange or exchanges, the fair market value shall be the composite closing price of a share of the Common Stock on such stock exchange or exchanges on the day the Option is granted. If no sale of Common Stock occurs on that day, the fair market value shall be determined by reference to such price for the next preceding day on which a sale occurred.

(d) In the event that the Common Stock is not listed on an established stock exchange or traded on the NASDAQ National Market System, and no closing dealer "bid" and "asked" prices are available on the date of a grant, then fair market value shall be the price established by the Committee in good faith.

5.4 Limitation on Grants. Grants to any Employee under the Plan shall not exceed, in the aggregate, Options to purchase more than 100,000 shares of Common Stock during any period of 12 consecutive months. Such limitation shall be subject to adjustment in the manner described in Article 9.

5.5 Transferability of Options. Unless otherwise designated by the Committee to the contrary, each Option granted under the Plan shall by its terms be nontransferable by the Optionee (except by will or the laws of descent and distribution), and each Option shall be exercisable during the Optionee's lifetime only by the Optionee, his guardian or his legal representative, or by such other means as the Committee may approve from time to time that is not inconsistent with or contrary to the provisions of applicable law.

5.6 Beneficiary Designation. An Optionee may, from time to time, designate in writing a beneficiary to exercise his Stock Option(s) after the Optionee's death. Any change in such beneficiary designation shall not become effective unless it is executed by the Optionee and filed with the Secretary of the Corporation prior to his death.

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ARTICLE 6. ELIGIBILITY

6.1 Participation. Options shall be granted only to persons who are Employees, as determined by the Committee, based upon the recommendation of the Chief Executive Officer (except as to himself) and ratified by a majority of the disinterested members of the Board.

6.2 Incentive Stock Option Eligibility Restrictions. Notwithstanding any other provision of the Plan, an individual who owns more than 10 percent of the total combined voting power of all classes of outstanding stock of the Corporation shall not be eligible for the grant of an Incentive Stock Option, unless the special requirements set forth in Sections 5.1 and 7.1 of the Plan are satisfied. For purposes of this section, in determining stock ownership, an individual shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants. Stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries. "Outstanding stock" shall include all stock actually issued and outstanding immediately before the grant of the Option. "Outstanding stock" shall not include shares authorized for issue under outstanding Options held by the Optionee or by any other person.

ARTICLE 7. TERM, VESTING AND EXERCISE OF OPTIONS

7.1 Term and Vesting.

(a) Each Option granted under the Plan shall terminate on the date determined by the Committee, approved by a majority of the disinterested members of the Board and specified in the relevant Agreement; provided, however, that (i) each intended Incentive Stock Option granted to an individual described in Section 6.2 of the Plan shall terminate not later than five years after the date of the grant, (ii) each other intended Incentive Stock Option shall terminate not later than ten years after the date of grant, and (iii) each Option granted under the Plan which is intended to be a Nonqualified Stock Option shall terminate not later than ten years and one month after the date of grant. Each Option granted under the Plan shall be exercisable and shall be subject to forfeiture in accordance with the provisions

determined by the Committee in connection with the grant and set forth in the relevant Agreement. An Option may be exercised only during the continuance of the Optionee's employment, except as provided in Article 8.

(b) In the event the Agreement issued to an Optionee fails to specify a vesting schedule with respect to the <PAGE 6> exercisability of the Option granted thereby, such schedule shall be as follows:

Continuous Employment With Corporation and/ or Subsidiary Following Date of Grant	Percentage of Option Exercisable
Less than 1 year	0
At least 1 year, but less than 2 years	25
At least 2 years, but less than 3 years	50
At least 3 years, but less than 4 years	75
At least 4 years	100

For purposes of this vesting schedule and any vesting schedule described or set forth in an Agreement, continuous employment shall be deemed to have terminated if an Optionee ceases to work on a substantially full-time basis, as determined from time to time by the Committee. The Committee may, subject to such conditions as it may specify, treat approved temporary leaves of absence as not constituting a termination of employment for Plan purposes.

(c) Notwithstanding any vesting provision herein or in an Agreement to the contrary, an Optionee shall be deemed 100% vested in all of his Options upon termination of employment under a circumstance described in Section 8.1 or 8.2.

7.2 Exercise.

(a) A person electing to exercise an Option shall give written notice to the Corporation of such election and of the number of shares of Common Stock he has elected to purchase, in such form as the Committee shall have prescribed or approved, and shall at the time of exercise tender, in cash, the full Exercise Price of the shares to be purchased.

(b) A person holding more than one Option at any relevant time may elect to exercise such Options in any order.

(c) At the request of a Participant and to the extent permitted by applicable law, the Corporation may, in its sole discretion, selectively approve arrangements with a brokerage firm under which such brokerage firm, on behalf of the Participant, shall pay to the Corporation the Exercise Price of the Stock Option being exercised (and any required withholding taxes), and the Corporation, pursuant to an irrevocable notice from the Participant, shall promptly deliver the shares being purchased to such firm. <PAGE 7>

7.3 Forfeiture for Cause. If an event of Cause occurs with respect to an Optionee, all unexercised Options (vested and nonvested) held by him (or any person claiming under or through him) shall be forfeited immediately.

ARTICLE 8. TERMINATION OF EMPLOYMENT

8.1 Retirement. Except as otherwise provided in Section 8.5, in the event of an Optionee's Retirement, his Options shall lapse at the earlier of (i) the expiration of the Options' respective terms, or (ii) (A) in the case of an Incentive Stock Option, three months following the date of Retirement, and (B) in the case of a Nonqualified Stock Option, at the discretion of the Committee and as specified in the relevant Agreement, up to 24 months following the date of Retirement.

8.2 Death or Disability. In the event of an Optionee's termination of employment due to death or "disability," as defined in Code Section 72(m)(7), his Options may be exercised shall lapse at the earlier of (i) the expiration of each Option's respective term, or (ii) six months after termination due to such cause.

8.3 Other Termination. Except as otherwise provided in Section 8.4, in the event of termination of an Optionee's employment for any reason other than is described in Section 8.1 or 8.2, all Options (vested and unvested) shall lapse as of the date of termination.

8.4 Special Termination Provisions.

(a) Notwithstanding anything herein to the contrary, the Committee may, in its discretion and subject to the approval of a majority of the disinterested members of the Board, waive any vesting provisions applicable to an Option held by a terminated Optionee who has not satisfied the same prior to termination. Any such waiver may be made with retroactive effect, provided it is made within 60 days following the Optionee's termination of employment.

(b) Notwithstanding anything herein to the contrary, the Committee may, in its discretion and subject to the approval of a majority of the disinterested members of the Board, waive the lapse provisions otherwise applicable to a vested Option and permit the exercise thereof until a date which is no later than the earlier of (i) the expiration of the term of such Option, or (ii) one year following the date of termination of the Optionee's employment.

8.5 Transfer of Employee, Etc. An Employee's employment shall not be deemed to be terminated, for purposes of the Plan, if <PAGE 8> he is transferred between or among the Corporation and any of its Subsidiaries, nor shall termination of employment be deemed to have taken place solely by reason of the occurrence of a transaction pursuant to which any entity acquires all or substantially all of the Corporation's assets by operation of law or otherwise, provided the employment relationship continues with the acquiror or a company affiliated with the acquiror.

ARTICLE 9. ADJUSTMENT PROVISIONS

9.1 Share and Exercise Price Adjustments.

(a) In the event that the shares of Common Stock, as presently constituted, shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Corporation or of another corporation (whether by reason of merger, consolidation, recapitalization, reclassification, split-up, combination of shares or otherwise) or if the number of such shares of Common Stock shall be increased through the payment of a stock dividend or split, then there shall be substituted for or added to each share of Common Stock which was theretofore appropriated, or which thereafter may become subject to an Option under the Plan, the number and kind of shares of stock or other

securities into which each outstanding share of the Common Stock shall be so changed or for which each such share shall be exchanged or to which each such share shall be entitled, as the case may be. Outstanding Options shall also be appropriately amended, as to Exercise Price and other terms, as may be necessary to reflect the foregoing events.

(b) If there shall be any other change in the number or kind of the outstanding shares of the Common Stock, or of any stock or other securities in which such stock shall have been changed, or for which it shall have been exchanged, and if a majority of the disinterested members of the Board shall, in its sole discretion, determine that such change equitably requires an adjustment in any Option which was theretofore granted or which may thereafter be granted under the Plan, then such adjustment shall be made in accordance with such determination.

(c) The grant of an Option pursuant to the Plan shall not affect in any way the right or power of the Corporation to make adjustments, reclassifications, reorganizations or changes of its capital or business structure, to merge, to consolidate, to dissolve, to liquidate or to sell or transfer all or any part of its business or assets.

9.2 Corporate Changes. Notwithstanding the provisions of Section 9.1, a dissolution or liquidation of the Corporation, or a merger or consolidation in which the Corporation is not the <PAGE 9> surviving corporation, shall cause each outstanding Option to terminate, except to the extent that another corporation may and does in the transaction assume and continue the Option or substitute its own options.

9.3 Fractional Shares. Fractional shares resulting from any adjustment in Options pursuant to this article may be settled as a majority of the disinterested members of the Board shall determine.

9.4 Binding Determination. To the extent that the foregoing adjustments relate to stock or securities of the Corporation, such adjustments shall be made by a majority of the disinterested members of the Board, whose determination in that respect shall be final, binding and conclusive. Notice of any adjustment shall be given by the Corporation to each holder of an Option which shall have been so adjusted.

ARTICLE 10. GENERAL PROVISIONS

10.1 Effective Date. The Plan shall become effective on August 1, 1998, provided that any grant of Options is subject to the approval of the Plan by the shareholders of the Corporation within 12 months thereafter.

10.2 Termination of the Plan. Unless sooner terminated by the Board, the Plan shall terminate on, and no Options shall be granted after, the tenth anniversary of its Effective Date.

10.3 Limitation on Termination, Amendment, Modification or Suspension of Plan.

(a) The Board may at any time terminate, amend, modify or suspend the Plan; provided, however, that no amendment or modification shall be made solely by the Board if it is also required to be approved by the Corporation's shareholders under any applicable securities or corporate law.

(b) Except as otherwise provided herein, no termination, amendment, modification or suspension of the Plan shall in any manner adversely affect any Option theretofore granted under

the Plan without the consent of the Optionee or any person validly claiming under or through the Optionee.

10.4 No Right to Employment. Neither anything contained in this Plan document, nor the grant of any Option hereunder, shall confer upon any Optionee the right to continue in the employ of the Corporation or of any Subsidiary or limit in any respect the right of the Corporation or of any Subsidiary to terminate the Optionee's employment at any time and for any reason.

10.5 No Right to Grant of Options. Nothing in this Plan document shall be construed as requiring that an Option be granted <PAGE 10> to any particular individual, regardless of such individual's position with the Corporation or any Subsidiary.

10.6 Withholding Taxes. Subject to the provisions of Subsection (b), the Corporation will require that an Optionee, as a condition of the exercise of an Option (other than an Incentive Stock Option), or any other person or entity receiving Common Stock upon exercise of an Option, pay or reimburse any taxes which the Corporation is required to withhold in connection with the exercise of the Option.

10.7 Listing and Registration of Shares.

(a) No Option granted pursuant to the Plan shall be exercisable in whole or in part if at any time a majority of the disinterested members of the Board shall determine in its discretion that the listing, registration or qualification of the shares of Common Stock subject to such Option on any securities exchange or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Option or the issue of shares thereunder, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to a majority of the disinterested members of the Board.

(b) If a registration statement under the Securities Act with respect to the shares issuable upon exercise of any Option granted under the Plan is not in effect at the time of exercise, as a condition of the issuance of the shares, the person exercising such Option shall give the Committee a written statement, satisfactory in form and substance to the Committee, that he is acquiring the shares for his own account for investment and not with a view to their distribution. The Corporation may place upon any stock certificate for shares issuable upon exercise of such Option the following legend or such other legend as the Committee may prescribe to prevent disposition of the shares in violation of the Securities Act or other applicable law:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 ("ACT") AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT TO THEM UNDER THE ACT OR A WRITTEN OPINION OF COUNSEL FOR THE CORPORATION THAT REGISTRATION IS NOT REQUIRED.

10.8 Number. Any words used herein in the singular shall be construed as used in the plural, as appropriate in the relevant context, and vice versa. <PAGE 11>

10.9 Gender. Any pronoun used herein shall be deemed a reference to all genders, as appropriate in the relevant context.

10.10 Governing Law. Except to the extent preempted by federal law, this Plan document shall be construed, administered and enforced in accordance with the domestic internal law of the Commonwealth of Pennsylvania.
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