

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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) August 24, 2004

Environmental Tectonics Corporation

(Exact Name of Registrant as Specified in Charter)

Pennsylvania

1-10655

23-1714256

(State or Other Jurisdiction
of Incorporation)

(Commission File Number)

(IRS Employer
Identification No.)

County Line Industrial Park, Southampton, Pennsylvania

18966

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code (215) 355-9100

(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 (*see* General Instruction A.2. below):

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))

Item 1.01. Entry into a Material Definitive Agreement.

On August 24, 2004, Environmental Tectonics Corporation (“ETC”) entered into an Amendment to its Credit Agreement with PNC Bank, National Association (“PNC Bank”), dated as of February 18, 2003 (the “PNC Credit Amendment Agreement”). Pursuant to the PNC Credit Agreement Amendment, PNC Bank waived certain Events of Default under the Credit Agreement between ETC and PNC Bank and, in connection therewith, PNC Bank reduced the amount of financing available to ETC to \$5,000,000, subject to the terms and conditions of the PNC Credit Agreement Amendment. Also, H.F. Lenfest executed a Limited Guaranty Agreement guaranteeing certain obligations of ETC to PNC Bank and, in connection therewith, ETC issued a Stock Purchase Warrant to H.F. Lenfest pursuant to which Mr. Lenfest is entitled to purchase up to 200,000 shares of ETC common stock at an exercise price equal to the lesser of \$4.00 per share or 2/3 of the average daily high and low closing price of ETC’s common stock during the 25 day trading period immediately preceding the date of exercise. Copies of these documents are attached as Exhibits 4.1, 10.1, 10.2 and 10.3.

Item 9.01. Entry into a Material Definitive Agreement.

(c) Exhibits.

The following exhibits are filed herewith:

- 4.1 Stock Purchase Warrant, dated September 7, 2004, issued by ETC in favor of H.F. Lenfest.
 - 10.1 Amendment to Credit Agreement, dated as of August 24, 2004, between ETC and PNC Bank, National Association.
 - 10.2 Second Amended and Restated Revolving Credit Note, dated August 24, 2004, issued by ETC in favor of PNC Bank, National Association.
 - 10.3 Limited Guaranty Agreement, dated as of August 24, 2004 of H.F. Lenfest in favor of PNC Bank, National Association.
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SIGNATURES

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

ENVIRONMENTAL TECTONICS CORPORATION
Registrant

Date: September 8, 2004

By /s/ Duane D. Deaner

Duane D. Deaner
Chief Financial Officer

EXHIBIT INDEX

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THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. EXCEPT AS OTHERWISE SET FORTH HEREIN, NEITHER THIS WARRANT NOR ANY OF SUCH SHARES MAY BE SOLD, TRANSFERRED OR ASSIGNED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER SAID ACT OR PURSUANT TO AN EXEMPTION THEREFROM.

SEPTEMBER 7, 2004

WARRANT TO PURCHASE
SHARES OF COMMON STOCK

ENVIRONMENTAL TECTONICS CORPORATION
STOCK PURCHASE WARRANT

THIS CERTIFIES THAT, for value received, H. F. Lenfest, or his registered assigns (each, a "HOLDER"), is entitled to purchase from Environmental Tectonics Corporation, a Pennsylvania corporation (the "COMPANY"), at any time or from time to time during the period specified in Section 1 hereof, Two Hundred Thousand (200,000) fully paid and nonassessable shares of the Company's common stock, par value \$0.05 per share (the "COMMON STOCK"), at an exercise price equal to the lesser of (i) \$4.00 per share or (ii) 66 2/3 percent of the Market Price (as hereinafter defined), subject to adjustment as provided herein (the "EXERCISE PRICE"). The term "WARRANT SHARES," as used herein, refers to the shares of Common Stock purchasable hereunder. This Warrant has been issued pursuant to the terms of an agreement, dated as of September 7, 2004, by and between the Company and H. F. Lenfest. The term "WARRANTS" means this Warrant and any warrants issued as a result of the transfer, exchange or replacement of such warrants.

This Warrant is subject to the following terms, provisions, and conditions:

1. PERIOD OF EXERCISE. This Warrant is exercisable at any time or from time to time beginning on the date of issuance (the "ISSUE DATE") and ending at 5:00 p.m., Philadelphia, Pennsylvania time on the sixth (6th) anniversary of the Issue Date (the "EXERCISE PERIOD").

2. EXERCISE OF WARRANT. Subject to the provisions hereof, including, without limitation, the limitations contained in Section 7 hereof, this Warrant may be exercised by the holder hereof, in whole or in part (which such amount shall be not less than 25,000 Warrant Shares, or a whole multiple of 5,000 in excess thereof; provided that, the foregoing shall not apply if the remaining Warrant Shares issuable hereunder are less than such minimum amount), by the surrender of this Warrant, together with a completed exercise agreement in the form attached hereto (the "EXERCISE AGREEMENT"), to the Company during normal business hours on any business day at the Company's principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), and upon payment to the Company in cash, by certified or official bank check or by wire transfer for the account of the Company of the Exercise Price for the Warrant Shares specified in the Exercise Agreement. The

Warrant Shares so purchased shall be deemed to be issued to the holder hereof or such holder's designee, as the record owner of such shares, as of the close of business on the date on which this Warrant shall have been surrendered, the completed Exercise Agreement shall have been delivered and payment shall have been made for such shares as set forth above. Certificates for the Warrant Shares so purchased, representing the aggregate number of shares specified in the Exercise Agreement, shall be delivered to the holder hereof within fifteen (15) business days after this Warrant shall have been so exercised. The

certificates so delivered shall be in such denominations as may be requested by the holder hereof and shall be registered in the name of such holder or such other name as shall be designated by such holder. If this Warrant shall have been exercised only in part, then, unless this Warrant has expired, the Company shall, at its expense, as soon as practicable after the date of exercise, deliver to the holder a new Warrant representing the number of shares with respect to which this Warrant shall not then have been exercised.

3. CERTAIN AGREEMENTS OF THE COMPANY. The Company hereby covenants and agrees as follows:

(a) SHARES TO BE FULLY PAID. All Warrant Shares will, upon issuance in accordance with the terms of this Warrant, be validly issued, fully paid, and nonassessable and free from all taxes, liens, and charges with respect to the issue thereof.

(b) RESERVATION OF SHARES. During the Exercise Period, the Company shall at all times have authorized, and reserved for the purpose of issuance upon exercise of this Warrant, a sufficient number of shares of Common Stock to provide for the exercise in full of this Warrant.

(c) LISTING. The Company shall secure the listing of the Warrant Shares upon each securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance upon exercise of this Warrant) and shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all Warrant Shares.

(d) CERTAIN ACTIONS PROHIBITED. The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, directly or indirectly, by operation of law or otherwise, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed by it hereunder, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may reasonably be requested by the holder of this Warrant in order to protect the exercise privilege of the holder of this Warrant against dilution or other impairment, consistent with the tenor and purpose of this Warrant.

(e) SUCCESSORS AND ASSIGNS. This Warrant will be binding upon any entity succeeding to the Company or its assets.

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4. ANTIDILUTION PROVISIONS. During the Exercise Period, the Exercise Price and the number of Warrant Shares shall be subject to adjustment from time to time as provided in this Section 4. In the event that any adjustment of the Exercise Price as required herein results in a fraction of a cent, such Exercise Price shall be rounded off to the nearest cent.

(a) SALE OF SECURITIES BELOW CURRENT EXERCISE PRICE. Except as otherwise provided in Sections 4(b) and 4(d), if at any time the Company shall issue or, pursuant to the provisions hereof, be deemed to have issued (other than as set forth in Section 4(a)(vi) hereof) any shares of Common Stock, Convertible Securities (as hereinafter defined), Rights (as hereinafter defined) or Related Rights (as hereinafter defined) (collectively, "SECURITIES") without consideration or for a consideration per share less than the Exercise Price in effect immediately prior to the issuance of such Securities, then the Exercise Price in effect immediately prior to each such issuance shall forthwith be reduced to the lowest per share price paid for a share of Common Stock (or deemed paid for a share of Common Stock in the case of Rights, Convertible Securities or Related Rights, as determined below). For the purpose of this Section 4(a), the following definitions, procedures and exceptions shall be applicable:

(i) RIGHTS. In the case of the issuance of options, warrants or other rights to purchase or otherwise acquire shares of Common Stock,

whether or not at the time exercisable (collectively, "RIGHTS"), the total number of shares of Common Stock issuable upon exercise of such Rights shall be deemed to have been issued at the time such Rights are issued, for a consideration equal to the sum of the consideration, if any, received by the Company upon the issuance of such Rights and the minimum purchase or exercise price payable upon the exercise of such Rights for the Common Stock to be issued upon the exercise thereof; and the consideration per share shall be determined by dividing (i) the aggregate consideration so received by and payable to the Company, by (ii) the number of shares of Common Stock issuable upon exercise of such Rights.

(ii) CONVERTIBLE SECURITIES AND RELATED RIGHTS. In the case of the issuance of any class or series of stock or any bonds, debentures, notes or other securities or obligations convertible into or exchangeable for Common Stock, whether or not then convertible or exchangeable (collectively, "CONVERTIBLE SECURITIES"), or options, warrants or other rights to purchase or otherwise acquire Convertible Securities (collectively, "RELATED RIGHTS"), the total number of shares of Common Stock issuable upon the conversion or exchange of such Convertible Securities or exercise of such Related Rights shall be deemed to have been issued at the time such Convertible Securities or Related Rights are issued, for a consideration equal to the sum of (A) the consideration, if any, received by the Company upon issuance of such Convertible Securities or Related Rights (excluding any cash received on account of accrued interest or dividends) and (B) (1) in the case of Convertible Securities, the minimum additional consideration, if any, to be received by the Company upon the conversion or exchange of such Convertible Securities or (2) in the case of Related Rights, the sum of (x) the minimum purchase or exercise price payable upon the exercise of such Related Rights for Convertible Securities and (y) the minimum additional consideration, if any, to be received by the Company upon the conversion or exchange of the Convertible Securities issued upon the exercise of such Related Rights; and the consideration per

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share shall be determined by dividing (i) the aggregate consideration so received by and payable to the Company, by (ii) the number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities or exercise of such Related Rights.

(iii) CHANGES. On any change in the number of shares of Common Stock issuable upon the exercise of Rights or Related Rights or upon the conversion or exchange of Convertible Securities or on any change in the minimum purchase or exercise price of Rights, Related Rights or Convertible Securities, including, but not limited to, a change resulting from the anti-dilution provisions of such Rights, Related Rights or Convertible Securities, the Exercise Price to the extent in any way affected by such Rights, Related Rights or Convertible Securities shall forthwith be readjusted to be thereafter the Exercise Price that would have been obtained had the adjustment which was made upon the issuance of such Rights, Related Rights or Convertible Securities been made after giving effect to such change. No further adjustment shall be made in respect of such change upon the actual issuance of Common Stock or any payment of consideration upon the exercise of such Rights or Related Rights or the conversion or exchange of such Convertible Securities.

(iv) EXPIRATION OR CANCELLATION. On the expiration or cancellation of any such Rights, Related Rights or Convertible Securities, if the Exercise Price shall have been adjusted upon the issuance thereof, the Exercise Price shall forthwith be readjusted to such Exercise Price as would have been obtained had the adjustment made upon the issuance of such Rights, Related Rights or Convertible Securities been made upon the basis of the issuance of only the number

of shares of Common Stock actually issued upon the exercise of such Rights or Related Rights or the conversion or exchange of such Convertible Securities.

(v) CASH. In the case of the issuance of such Securities for cash, the amount of consideration received by the Company shall be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses paid or incurred by the Company for any underwriting or otherwise in connection with the issuance and sale thereof. In the case of the issuance of such Securities for consideration other than cash, the amount of consideration received by the Company shall be determined in good faith by the Company's Board of Directors.

(vi) EXCEPTIONS TO ADJUSTMENT OF EXERCISE PRICE. No adjustment to the Exercise Price will be made (i) upon the exercise of any warrants, options or convertible securities issued and outstanding on the Issue Date in accordance with the terms of such securities as of such date; (ii) upon exercise of any stock or options which may hereafter be exercised under any employee benefit plan of the Company now existing or to be implemented in the future, so long as the issuance of such stock or options is approved by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors

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established for such purpose; or (iii) upon the issuance of securities in connection with a strategic transaction, the primary purpose of which, in the good faith determination of the Board of Directors of the Company, is not to raise capital for the Company.

(b) SUBDIVISION OR COMBINATION OF COMMON STOCK. If the Company at any time subdivides (by any stock split, stock dividend, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock acquirable hereunder into a greater number of shares, then, after the date of record for effecting such subdivision, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced. If the Company at any time combines (by reverse stock split, recapitalization, reorganization, reclassification or otherwise) the shares of Common Stock acquirable hereunder into a smaller number of shares, then, after the date of record for effecting such combination, the Exercise Price in effect immediately prior to such combination will be proportionately increased.

(c) ADJUSTMENT IN NUMBER OF SHARES. Upon each adjustment of the Exercise Price pursuant to the provisions of this Section 4, the number of shares of Common Stock issuable upon exercise of this Warrant shall be adjusted by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of shares of Common Stock issuable upon exercise of this Warrant immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

(d) CONSOLIDATION, MERGER OR SALE. In case of any consolidation of the Company with, or merger of the Company into any other Company, or in case of any sale or conveyance of all or substantially all of the assets of the Company other than in connection with a plan of complete liquidation of the Company, then as a condition of such consolidation, merger or sale or conveyance, adequate provision will be made whereby the holder of this Warrant will have the right to acquire and receive upon exercise of this Warrant in lieu of the shares of Common Stock immediately theretofore acquirable upon the exercise of this Warrant, such shares of stock, securities or assets as the holders of the Warrants would have received had the Warrants been exercised immediately prior to such consolidation, merger or sale or conveyance. In any such case, the Company will make appropriate provision to insure that the provisions of this Section 4 hereof will thereafter be applicable as nearly as may be in relation to any shares of stock or securities thereafter deliverable upon the exercise of

this Warrant. The Company will not effect any consolidation, merger or sale or conveyance unless prior to the consummation thereof, the successor or acquiring entity (if other than the Company) and, if an entity different from the successor or acquiring entity, the entity whose capital stock or assets the holders of the Common Stock of the Company are entitled to receive as a result of such consolidation, merger or sale or conveyance assumes by written instrument the obligations of the Company under this Warrant (including under this Section 4) and the obligations to deliver to the holder of this Warrant such shares of stock, securities or assets as, in accordance with the foregoing provisions, the holder may be entitled to acquire. This Section 4(d) shall apply to any successive consolidations, mergers, sales or conveyances.

(e) DISTRIBUTION OF ASSETS. In case the Company shall declare or make any distribution of its assets (including cash) to holders of Common Stock as a partial liquidating dividend, by way of return of capital or otherwise, then, after the date of record for determining stockholders entitled to such distribution, but prior to the date of distribution, the holder of this Warrant

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shall be entitled upon exercise of this Warrant for the purchase of any or all of the shares of Common Stock subject hereto, to receive the amount of such assets which would have been payable to the holder had such holder been the holder of such shares of Common Stock on the record date for the determination of stockholders entitled to such distribution.

(f) NOTICE OF ADJUSTMENT. Upon the occurrence of any event which requires any adjustment of the Exercise Price, then, and in each such case, the Company shall give notice thereof to the holder of this Warrant, which notice shall state the Exercise Price resulting from such adjustment and the increase or decrease in the number of Warrant Shares purchasable at such price upon exercise, setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Such calculation shall be certified by the chief financial officer of the Company.

(g) MINIMUM ADJUSTMENT OF EXERCISE PRICE. No adjustment of the Exercise Price shall be made in an amount of less than 1% of the Exercise Price in effect at the time such adjustment is otherwise required to be made, but any such lesser adjustment shall be carried forward and shall be made at the time and together with the next subsequent adjustment which, together with any adjustments so carried forward, shall amount to not less than 1% of such Exercise Price.

(h) NO FRACTIONAL SHARES. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but the Company shall pay a cash adjustment in respect of any fractional share which would otherwise be issuable in an amount equal to the same fraction of the Market Price of a share of Common Stock on the date of such exercise.

(i) OTHER NOTICES. In case at any time:

(i) the Company shall declare any dividend upon the Common Stock payable in shares of stock of any class or make any other distribution (including dividends or distributions payable in cash out of retained earnings) to the holders of the Common Stock;

(ii) there shall be any capital reorganization of the Company, or reclassification of the Common Stock, or consolidation or merger of the Company with or into, or sale of all, substantially all or a material portion of its assets to, another Company or entity; or

(iii) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then, in each such case, the Company shall give to the holder of this Warrant

(a) notice of the date on which the books of the Company shall close or a record shall be taken for determining the holders of Common Stock entitled to receive any such dividend or distribution or for determining the holders of Common Stock entitled to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up and (b) in the case of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation or winding-up, notice of the date (or, if not

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then known, a reasonable approximation thereof by the Company) when the same shall take place. Such notice shall also specify the date on which the holders of Common Stock shall be entitled to receive such dividend, distribution, or subscription rights or to exchange their Common Stock for stock or other securities or property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, or winding-up, as the case may be. Such notice shall be given at least ten (10) business days prior to the record date or the date on which the Company's books are closed in respect thereto. Failure to give any such notice or any defect therein shall not affect the validity of the proceedings referred to in clauses (i), (ii) and (iii) above; provided that if notice is not given in accordance with this Section 4(i), the Company will use its best efforts to insure that the holder of this Warrant shall nevertheless receive the same rights and benefits received by other holders of securities of the Company from the proceedings referred to in clauses (i), (ii) and (iii) above, unless the holder of this Warrant chooses not to receive such rights and benefits.

(j) CERTAIN EVENTS. If any event occurs of the type contemplated by the adjustment provisions of this Section 4 but not expressly provided for by such provisions, the Company will give notice of such event as provided in Section 4(i) hereof, and the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of shares of Common Stock acquirable upon exercise of this Warrant so that the rights of the holder shall be neither enhanced nor diminished by such event.

(k) CERTAIN DEFINITIONS.

(i) "MARKET PRICE," as of any date, (i) means the average of the high and the low sale prices for the shares of Common Stock as reported on the American Stock Exchange ("AMEX") by Bloomberg Financial Markets ("BLOOMBERG") for the twenty five (25) consecutive trading days immediately preceding such date, or (ii) if the AMEX is not the principal trading market for the shares of Common Stock, the average of the reported closing sale prices reported by Bloomberg on the principal trading market for the Common Stock during the same period, or (iii) if the foregoing do not apply, the last sale price of such security in the over-the-counter market on the pink sheets or bulletin board for such security as reported by Bloomberg, or if no sale price is so reported for such security, the last bid price of such security as reported by Bloomberg, or (iv) if market value cannot be calculated as of such date on any of the foregoing bases, the Market Price shall be determined in good faith by the Board of Directors.

5. ISSUE TAX. The issuance of certificates for Warrant Shares upon the exercise of this Warrant shall be made without charge to the holder of this Warrant or such shares for any issuance tax or other costs in respect thereof.

6. NO RIGHTS OR LIABILITIES AS A SHAREHOLDER. This Warrant shall not entitle the holder hereof to any voting rights, rights to dividends, or other rights as a shareholder of the Company. No provision of this Warrant, in the absence of affirmative action by the holder hereof to purchase Warrant Shares, and no mere enumeration herein of the rights or privileges of the holder hereof, shall give rise to any liability of such holder for the Exercise Price or as a shareholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

7. TRANSFER, EXCHANGE, AND REPLACEMENT OF WARRANT.

(a) RESTRICTION ON TRANSFER. This Warrant and the rights granted to the holder hereof are transferable, in whole or in part (which such amount shall be not less than 25,000 Warrant Shares, or a whole multiple of 5,000 in excess thereof; provided that, the foregoing shall not apply if the remaining Warrant Shares issuable hereunder are less than such minimum amount), upon surrender of this Warrant, together with a properly executed assignment in the form attached hereto, at the office or agency of the Company referred to in Section 7(e) below; provided, however, that any transfer or assignment shall be subject to the conditions set forth in Section 7(f). Notwithstanding the foregoing, this Warrant, the shares of Common Stock issuable upon exercise hereof, and the rights granted hereunder may not be transferred to a competitor of the Company or any Subsidiary or affiliate of the Company.

(b) WARRANT EXCHANGEABLE FOR DIFFERENT DENOMINATIONS. This Warrant is exchangeable, upon the surrender hereof by the holder hereof at the office or agency of the Company referred to in Section 7(e) below, for new Warrants of like tenor representing in the aggregate the right to purchase the number of shares of Common Stock which may be purchased hereunder, each of such new Warrants to represent the right to purchase such number of shares as shall be designated by the holder hereof at the time of such surrender.

(c) REPLACEMENT OF WARRANT. Upon receipt of evidence of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

(d) CANCELLATION; PAYMENT OF EXPENSES. Upon the surrender of this Warrant in connection with any transfer, exchange, or replacement as provided in this Section 7, this Warrant shall be promptly canceled by the Company. The Company shall pay all taxes (other than securities transfer taxes) and all other expenses (other than legal expenses, if any, incurred by the holder or transferees) and charges payable in connection with the preparation, execution, and delivery of Warrants pursuant to this Section 7.

(e) REGISTER. The Company shall maintain, at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant, in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee and each prior owner of this Warrant.

(f) EXERCISE OR TRANSFER WITHOUT REGISTRATION. If, at the time of the surrender of this Warrant in connection with any exercise, transfer, or exchange of this Warrant, this Warrant (or, in the case of any exercise, the Warrant Shares issuable hereunder), shall not be registered under the Securities Act and under applicable state securities or blue sky laws, the Company may require, as a condition of allowing such exercise, transfer, or exchange, that the holder or transferee of this Warrant, as the case may be, furnish to the

Company a written opinion of counsel to the effect that such exercise, transfer, or exchange may be made without registration under the Securities Act and under applicable state securities or blue sky laws; provided however, that no legal opinion shall be required in connection with a transfer pursuant to Rule 144

under the Securities Act unless in the opinion of counsel to the Company, such transfer does not comply with the provisions of Rule 144. Notwithstanding the foregoing, the initial holder of this Warrant, by taking and holding the same, represents to the Company that such holder is acquiring this Warrant for investment and not with a present view to the distribution thereof.

8. NOTICES. Any notice which is required or provided to be given under this Warrant shall be deemed to have been sufficiently given and received for all purposes when delivered by hand, telecopy (if a copy of such confirmed telecopy transmission shall be contemporaneously sent by first class mail), or nationally recognized overnight courier, or five days after being sent by certified or registered mail, postage and charges prepaid, return receipt requested, to the following addresses:

If to the Company:

Environmental Tectonics Corporation
125 James Way
Southampton, PA 18966
Attention: Chief Financial Officer
Facsimile: (215) 357-4000

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With a copy to:

Klehr, Harrison, Harvey, Branzburg & Ellers LLP
260 S. Broad Street
Philadelphia, PA 19102
Attention: William W. Matthews, III, Esquire
Facsimile: (215) 568-6603

If to a holder hereof, at the address shown for such holder on the books of the Company; or, with respect to any party hereto, at any other address designated in writing by such party in accordance with the provisions of this Section 8.

9. GOVERNING LAW; JURISDICTION. This Warrant shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to agreements made and to be performed in the Commonwealth of Pennsylvania (without regard to principles of conflict of laws). The Company and the holder hereof consent to the jurisdiction of the United States federal courts and the state courts located in the Commonwealth of Pennsylvania with respect to any suit or proceeding based on or arising under this Warrant or the transactions contemplated hereby and agree that all claims in respect of such suit or proceeding may be determined in such courts. The Company and the holder hereof waive the defense of an inconvenient forum to the maintenance of such suit or proceeding and agree that service of process upon a party mailed by first class mail shall be deemed in every respect effective service of process upon the party in any such suit or proceeding. Nothing herein shall affect either party's right to serve process in any other manner permitted by law.

10. MISCELLANEOUS.

(a) AMENDMENTS. This Warrant and any provision hereof may only be amended by an instrument in writing signed by the Company and a majority in interest of the outstanding Warrants.

(b) DESCRIPTIVE HEADINGS. The descriptive headings of the several

paragraphs of this Warrant are inserted for purposes of reference only, and shall not affect the meaning or construction of any of the provisions hereof.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer.

ENVIRONMENTAL TECTONICS CORPORATION

By: Duane D. Deaner
Name: Duane Deaner
Title: C.F.O.

Dated as of September 7, 2004

FORM OF EXERCISE AGREEMENT

Dated: _____, 20__

To: [Company]
[Address]

The undersigned, pursuant to the provisions set forth in the Warrant attached hereto, hereby agrees to purchase _____ shares of Common Stock covered by such Warrant, and makes payment herewith in full therefor at the price per share provided by such Warrant in cash, by wire transfer or by certified or official bank check in the amount of \$_____. Please issue a certificate or certificates for such shares of Common Stock in the name of and pay any cash for any fractional share to:

Name: _____
Signature: _____
Address: _____

Note: The above signature should correspond exactly with the name on the face of the within Warrant.

and, if said number of shares of Common Stock shall not be all the shares

purchasable under the within Warrant, a new Warrant is to be issued in the name of said undersigned covering the balance of the shares purchasable thereunder less any fraction of a share paid in cash.

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers all the rights of the undersigned under the within Warrant, with respect to the number of shares of Common Stock covered thereby set forth hereinbelow, to:

Name of Assignee	Address	No. of Shares
-----	-----	-----

, and hereby irrevocably constitutes and appoints _____ as agent and attorney-in-fact to transfer said Warrant on the books of the within-named Company, with full power of substitution in the premises.

Dated: _____, 20__

In the presence of:

Name: _____

Signature: _____

Title of Signing Officer
or Agent (if any):

Address: _____

Note: The above signature should correspond exactly with the name on the face of the within Warrant.

EXHIBIT 10.1

AMENDMENT TO CREDIT AGREEMENT

This AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 24th day of August, 2004, between ENVIRONMENTAL TECTONICS CORPORATION (the "Borrower") and PNC BANK, NATIONAL ASSOCIATION (the "Bank").

BACKGROUND

A. The Bank and the Borrower are parties to a Credit Agreement dated as of February 18, 2003 (as heretofore amended or modified, the "Credit Agreement"), pursuant to which the Bank agreed to make Revolving Credit Loans and issue Letters of Credit to and on behalf of the Borrower.

B. The Borrower has requested that the Bank waive certain Events of Default and amend the Credit Agreement in certain respects and the Bank has agreed to do so on and subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, the legality and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows effective as of August 24, 2004 (except as hereinafter specifically set forth):

(a) The definitions of "Annual EBIDTA", "Borrowing Base", "Borrowing Base Certificate", "Debt Service", "EBIDTA", "Eligible Costs and Earnings", "Eligible Inventory", "Eligible Receivables", "Existing Centrifuge", "Fixed Asset Availability", "Fixed Charges", "Permitted Overadvance" and "Total Funded Debt" are hereby deleted from Section 1.1 of the Credit Agreement.

(b) The definitions of "Available Revolving Credit Commitment", "Loan Documents" and "Obligations" are hereby amended and restated to read in full as follows:

"Available Revolving Credit Commitment": at any particular time, an amount equal to the excess, if any, of the Revolving Credit Commitment over the aggregate unpaid principal amount of the Revolving Credit Loans and the face amount of the Revolving Credit Letters of Credit outstanding at such time.

"Loan Documents": this Agreement, the Revolving Credit Note, the ExIm Notes, the Guaranty, the Lenfest Guaranty, the Reimbursement Agreement, the Security Documents, any Letters of Credit, the Bond Letter of Credit, any Interest Hedge Agreement entered into with the Bank, the ExIm Borrower Agreement and any other "Loan Document" as such term is defined in the ExIm Borrower Agreement.

"Obligations": collectively, (a) all unpaid principal of and accrued

and unpaid interest (including, without limitation, any interest accruing subsequent to the commencement of a bankruptcy, insolvency or similar proceeding with respect to the Borrower, whether or not such interest constitutes an allowed claim in such proceeding) on the Loans, (b) all accrued and unpaid Fees, (c) any other amounts due hereunder or under any of the other Loan Documents, including all Reimbursement Obligations and reimbursement obligations in respect of the Bond Letter of Credit, indemnities, Fees, costs, expenses, prepayment premiums, break-funding costs and other obligations of the Borrower to the Bank or any indemnified party hereunder and thereunder, (d) any obligations owed by the Borrower to the Bank or to any Affiliate of the Bank pursuant to an Interest Hedge Agreement or any other financing or leasing arrangement provided by the Bank or any such Affiliate, and (e) all reasonable out-of-pocket costs and expenses incurred by the Bank in connection with this Agreement and the other Loan Documents, including, but not limited to, the reasonable fees and expenses of the Bank's counsel, which the Borrower is responsible to pay pursuant to the terms of this Agreement and the other Loan Documents.

(c) The following new definitions are added to Section 1.1 of the Credit Agreement in the appropriate alphabetical order:

"Lenfest": H.F. Lenfest, an individual.

"Lenfest Guaranty": that certain Limited Guaranty Agreement from Lenfest to the Bank dated on or about August 24, 2004, as the same may be amended, supplemented or modified from time to time, guaranteeing the obligations of the Borrower arising in connection with Revolving Credit Letters of Credit.

(d) The definition of "Revolving Credit Commitment" appearing in Section 1.1 of the Credit Agreement is hereby amended by deleting the dollar amount "Fourteen Million Eight Hundred Thousand Dollars (\$14,800,000)" appearing therein and inserting the amount "Five Million Dollars (\$5,000,000)" in lieu thereof; and the definitions of "Maximum ExIm Credit Commitment" appearing in

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Section 1.1 of the Credit Agreement is hereby amended by deleting the dollar amount "One Million Ten Thousand Dollars (\$1,010,000)" and inserting the amount "Nine Hundred Ninety-Five Thousand Dollars (\$995,000)" in lieu thereof.

(e) The Bank shall hereafter have no further obligation to make Revolving Credit Loans pursuant to Sections 2.1(a) and 2.3(a) of the Credit Agreement. Revolving Credit Loans will only result from unreimbursed Reimbursement Obligations pursuant to the provisions of Section 2.1(d) of the Credit Agreement.

(f) Section 2.1(d) of the Credit Agreement is hereby amended and restated to read in full as follows:

"(d) Subject to the terms and conditions hereof, the Bank shall during the Revolving Credit Commitment Period issue or cause the issuance of letters of credit ("Revolving Credit Letters of Credit") on behalf of the Borrower; provided, however, that the Bank will not be required to issue or cause to be issued any Revolving Credit Letter of Credit which expires later than one year following the Revolving Credit Termination Date or, if after giving effect to such issuance, either the sum of the aggregate face amount of all Revolving Credit Letters of Credit plus the outstanding principal amount of all Revolving Credit Loans would exceed the Available Revolving Credit Commitment or the Borrower would not be in compliance with any of the applicable financial covenants set forth in Section 6.1. The Borrower shall be required immediately to reimburse the Bank any amounts paid by the Bank pursuant to drawings on Revolving Credit Letters of Credit. All payments by the Bank of drawings on Revolving Credit Letters of Credit to the extent not

immediately reimbursed shall become, at the time such drawings are paid, Revolving Credit Loans which shall be due and payable and shall bear interest until paid at the applicable default rate for Base Rate Loans provided in Section 2.17 until repaid in full and may not be converted to Eurodollar Loans. If any Revolving Credit Letters of Credit remain outstanding on the Revolving Credit Termination Date, the Borrower shall deposit in the Cash Collateral Account, as cash collateral for its Obligations under this Agreement an amount equal to the aggregate Letter of Credit Coverage Requirement which shall be held and applied by the Bank otherwise as provided in the final paragraph of Section 7.1."

(g) the following new Section 2.1(f) is added to the Credit Agreement:

"(f) The Borrower shall at all times maintain deposits in the Cash Collateral Account in an amount equal to or greater than Two Million Five Hundred Thousand Dollars (\$2,500,000). The Borrower hereby pledges to the Bank, and grants a security interest to the Bank in, the Cash Collateral Account as security for the Obligations. The Bank will

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invest such cash collateral in such short-term money-market investments as to which the Bank and the Borrower mutually agree and the net return on such investments shall be credited to the Cash Collateral Account and constitute additional cash collateral. Following the occurrence of a Default or Event of Default the Borrower may not withdraw amounts credited to the Cash Collateral Account except upon payment and performance in full of all Obligations, expiration or surrender of all Letters of Credit and the Bond Letter of Credit and termination of this Agreement."

(h) Section 2.5(d) of the Credit Agreement is hereby amended by deleting the reference to "1.75% per annum" and inserting "1.00% per annum" in lieu thereof.

(i) Section 2.9(d) of the Credit Agreement is hereby amended and restated to read in full as follows:

"(d) Mandatory Prepayments. If at any time the aggregate principal amount of the outstanding Revolving Credit Loans and the aggregate face amount of all Revolving Credit Letters of Credit outstanding at such time exceeds the Revolving Credit Commitment at such time, the Borrower shall make a payment on the outstanding Revolving Credit Loans equal to the amount of such excess."

(j) Effective as of June 1, 2004, Section 5.2(c) of the Credit Agreement is hereby amended and restated to read in full as follows:

"(c) Intentionally Omitted"

(k) Sections 6.1(a) and (b) of the Credit Agreement are hereby amended and restated to read in full as follows:

"(a) Intentionally Omitted

(b) Intentionally Omitted"

(l) Section 6.1(c) of the Credit Agreement is hereby amended and restated to read in full as follows:

"(c) Maintenance of Tangible Net Worth. Permit Consolidated Tangible Net Worth (i) on the last day of each of the Fiscal Quarters ending August 27, 2004, November 26, 2004 and February 25, 2005 to be less than \$16,400,000 or (ii) on the last day of any Fiscal Quarter ending

after February 25, 2005 to be less than the Borrower's actual Consolidated Tangible Net Worth on February 25, 2005.

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(m) Section 6.1(d) is hereby amended and restated to read in full as follows:

"(d) Intentionally Omitted"

(n) Section 7.1(d) of the Credit Agreement is amended and restated to read in full as follows:

"(d) An Event of Default (as defined in the Mortgage or in the Lenfest Guaranty); or"

(o) Exhibit E is hereby deleted from the Credit Agreement.

3. Line of Credit Note. In order to evidence the reduced maximum principal amount available under the Revolving Credit Commitment to \$5,000,000, the Borrower shall execute and deliver to the Bank an Amended and Restated Revolving Credit Note (the "Second Amended and Restated Revolving Credit Note") in the form attached hereto as Exhibit A.

4. Amendments to Loan Documents. All references to the Credit Agreement in any of the Loan Documents shall be deemed to refer to the Credit Agreement, as amended by this Amendment and all references to the Revolving Credit Note in any of the Loan Documents shall be deemed to refer to the Second Amended and Restated Revolving Credit Note.

5. Ratification; Acknowledgment. Except as the provisions thereof have been expressly amended or waived by this Amendment, the Credit Agreement and the other Loan Documents shall continue to be, and shall remain, unaltered and in full force and effect in accordance with their terms. The Borrower hereby affirms all the provisions of the Loan Documents, as amended or modified by this Amendment. The Borrower hereby acknowledges that in connection with the acceptance by the Bank of the Lenfest Guaranty, the Bank has agreed with Lenfest that it will not release any substantial or material portion of the Collateral without the prior written consent of Lenfest.

6. Representations and Warranties.

(a) The Borrower hereby certifies that (i) the representations and warranties of the Borrower in the Credit Agreement are true and correct in all material respects as of the date hereof, as if made on the date hereof and (ii) no Event of Default and no event which could become an Event of Default with the passage of time or the giving of notice, or both, under the Credit Agreement or the other Loan Documents exists on the date hereof.

(b) The Borrower further represents that it has all the requisite power and authority to enter into and to perform its obligations under this Amendment, and that the execution, delivery and performance of this Amendment and the Second Amended and Restated Revolving Credit Note have been duly authorized by all requisite action and will not violate or constitute a default under any provision of any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect or of the Articles of Incorporation or by-laws of the Borrower, or of any indenture,

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note, loan or credit agreement, license or any other agreement, lease or instrument to which the Borrower is a party or by which the Borrower or any of its properties are bound.

(c) The Borrower also further represents that its obligation to repay the Loans, together with all interest accrued thereon, is absolute and unconditional, and there exists no right of set off or recoupment, counterclaim or defense of any nature whatsoever to payment of the Loans.

(d) The Borrower also further represents that there have been no changes to the Articles of Incorporation, by-laws or other organizational documents of the Borrower since the most recent date true and correct copies thereof were delivered to the Bank.

7. Conditions Precedent. The effectiveness of this Amendment is subject to the fulfillment, to the satisfaction of the Bank and its counsel, of the following conditions precedent:

(a) The Borrower shall have delivered to the Bank the following, all of which shall be in form and substance satisfactory to the Bank and shall be duly completed and executed:

(i) This Amendment, executed by the Borrower;

(ii) The executed original of the Second Amended and Restated Revolving Credit Note; and

(iii) The executed original of the Lenfest Guaranty; and

(iv) Such additional documents, certificates and information as the Bank may require pursuant to the terms hereof or otherwise reasonably request.

(b) After giving effect to the amendments contained herein, the representations and warranties set forth in the Credit Agreement shall be true and correct on and as of the date hereof.

(c) After giving effect to the amendments contained herein, no Event of Default hereunder, and no event which, with the passage of time or the giving of notice, or both, would become such an Event of Default shall have occurred and be continuing as of the date hereof.

(d) The Borrower shall have paid to the Bank a restructuring fee in the amount of \$30,000.

8. No Waiver. Except as expressly provided herein, this Amendment does not and shall not be deemed to constitute a waiver by the Bank of any Event of Default, or of any event which with the passage of time or the giving of notice or both would constitute an Event of Default, nor does it obligate the Bank to

agree to any further modifications to the Loan Agreement or any other Loan Document or constitute a waiver of any of the Bank's other rights or remedies.

9. Release and Indemnity. Recognizing and in consideration of the Bank's agreement to the amendments set forth herein, the Borrower hereby waives and releases the Bank and its officers, attorneys, agents, and employees from any liability, suit, damage, claim, loss or expense of any kind or nature whatsoever and howsoever arising the Borrower ever had or now has against any of them arising out of or relating to the Bank's acts or omissions with respect to this Amendment, the Credit Agreement, the other Loan Documents or any other matters described or referred to herein or therein. The Borrower further hereby agrees to indemnify and hold the Bank and its officers, attorneys, agents and employees harmless from any loss, damage, judgment, liability or expense (including counsel fees) suffered by or rendered against the Bank on account of anything arising out of this Amendment, the Credit Agreement, the other Loan Documents or any other document delivered pursuant thereto up to and including

the date hereof; provided that, the Borrower shall not shall have any obligation hereunder to the Bank with respect to indemnified liabilities arising from the gross negligence or willful misconduct of the Bank.

10. Severability. Any provision of this Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11. Miscellaneous.

(a) Expenses. The Borrower agrees to pay all of the Bank's out-of-pocket fees and expenses incurred in connection the preparation, negotiation and execution of this Amendment and the other documents executed in connection.

(b) Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(c) Successor and Assigns. The terms and provisions of this Amendment shall be binding upon and shall inure to the benefit of the Borrower and the Bank and their respective successors and assigns.

(d) Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same instrument.

(e) Headings. The headings of any paragraph of this Amendment are for convenience only and shall not be used to interpret any provision hereof.

(f) Modifications. No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

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

ENVIRONMENTAL TECTONICS CORPORATION

By: _____
Name:
Title:

PNC BANK, NATIONAL ASSOCIATION

By: _____
Name:
Title:

EXHIBIT A

SECOND AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$5,000,000

August 24, 2004
Philadelphia, PA

FOR VALUE RECEIVED, ENVIRONMENTAL TECTONICS CORPORATION (the "Borrower"), hereby unconditionally promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), at the office of the Bank located at 1600 Market Street, Philadelphia, Pennsylvania, 19103, on the Revolving Credit Termination Date (as such term is defined in the Credit Agreement hereinafter referred to) in lawful money of the United States of America and in immediately available funds, the principal sum of (a) FIVE MILLION DOLLARS (\$5,000,000), or, if less, (b) the aggregate unpaid principal amount of all Revolving Credit Loans made or deemed made by the Bank to the Borrower pursuant to the Credit Agreement. The Borrower further unconditionally agrees to pay interest accrued on the unpaid principal amount outstanding hereunder from time to time from the date hereof in like money at such office at the rates and on the dates specified in the Credit Agreement together with all other costs, fees and expenses as provided in the Credit Agreement.

The holder of this Note is authorized to endorse on Schedule 1 annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the respective date, Type, and amount of each Revolving Credit Loan made by the Bank to the Borrower, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof and, in the case of Eurodollar Loans, the length of each Interest Period with respect thereto, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed absent manifest error; provided, however, that the failure to make any such endorsement (or any error in such recordation) shall not affect the obligations of the Borrower to make payments of principal, interest and other amounts outstanding in accordance with the terms of this Note and the Credit Agreement.

This Note amends and completely restates and evidences the indebtedness outstanding under and is substituted for, but not in payment, satisfaction, cancellation or novation of, the Amended and Restated Revolving Credit Note dated April 30, 2003 issued by the Borrower to the Bank and, as of the date hereof, shall be deemed to be the Revolving Credit Note referred to in, evidences indebtedness incurred under, and is entitled to the benefits of, the Credit Agreement, dated as of the date hereof (as it may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), between the Borrower and the Bank. The Credit Agreement, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional or mandatory prepayments of the principal hereof prior to the maturity thereof, for a higher rate of interest upon the occurrence of an Event of Default and for certain security interests granted by the Borrower and certain related entities. Reference is made to the Credit Agreement and the other Loan Documents for a statement of the terms and conditions under which the Revolving Credit Loans evidenced hereby have been secured.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Note shall become, or may be declared to be, immediately due and payable, all as provided therein.

All parties now and hereafter liable with respect to this Note, whether maker, principal, surety, guarantor, endorser or otherwise, hereby waive presentment, demand, protest and notice (except as required under the Credit

EXHIBIT 10.2

SECOND AMENDED AND RESTATED REVOLVING CREDIT NOTE

\$5,000,000

August 24, 2004
Philadelphia, PA

FOR VALUE RECEIVED, ENVIRONMENTAL TECTONICS CORPORATION (the "Borrower"), hereby unconditionally promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION (the "Bank"), at the office of the Bank located at 1600 Market Street, Philadelphia, Pennsylvania, 19103, on the Revolving Credit Termination Date (as such term is defined in the Credit Agreement hereinafter referred to) in lawful money of the United States of America and in immediately available funds, the principal sum of (a) FIVE MILLION DOLLARS (\$5,000,000), or, if less, (b) the aggregate unpaid principal amount of all Revolving Credit Loans made or deemed made by the Bank to the Borrower pursuant to the Credit Agreement. The Borrower further unconditionally agrees to pay interest accrued on the unpaid principal amount outstanding hereunder from time to time from the date hereof in like money at such office at the rates and on the dates specified in the Credit Agreement together with all other costs, fees and expenses as provided in the Credit Agreement.

The holder of this Note is authorized to endorse on Schedule 1 annexed hereto and made a part hereof or on a continuation thereof which shall be attached hereto and made a part hereof the respective date, Type, and amount of each Revolving Credit Loan made by the Bank to the Borrower, each continuation thereof, each conversion of all or a portion thereof to another Type, the date and amount of each payment or prepayment of principal thereof and, in the case of Eurodollar Loans, the length of each Interest Period with respect thereto, which endorsement shall constitute prima facie evidence of the accuracy of the information endorsed absent manifest error; provided, however, that the failure to make any such endorsement (or any error in such recordation) shall not affect the obligations of the Borrower to make payments of principal, interest and other amounts outstanding in accordance with the terms of this Note and the Credit Agreement.

This Note amends and completely restates and evidences the indebtedness outstanding under and is substituted for, but not in payment, satisfaction, cancellation or novation of, the Amended and Restated Revolving Credit Note dated April 30, 2003 issued by the Borrower to the Bank and, as of the date hereof, shall be deemed to be the Revolving Credit Note referred to in, evidences indebtedness incurred under, and is entitled to the benefits of, the Credit Agreement, dated as of the date hereof (as it may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), between the Borrower and the Bank. The Credit Agreement, among other things, contains provisions for the acceleration of the maturity hereof upon the happening of certain events, for optional or mandatory prepayments of the principal hereof prior to the maturity thereof, for a higher rate of interest upon the occurrence of an Event of Default and for certain security interests granted by the Borrower and certain related entities. Reference is made to the

Credit Agreement and the other Loan Documents for a statement of the terms and conditions under which the Revolving Credit Loans evidenced hereby have been secured.

Upon the occurrence of any one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this

LIMITED GUARANTY AGREEMENT

[PNC LOGO OMITTED]

THIS LIMITED GUARANTY AGREEMENT (this "GUARANTY") is made and entered into as of this 24th day of August, 2004, by H.F. LENFEST, an individual (the "GUARANTOR"), with an address at 300 Barr Harbor Drive, Suite 460, West Conshohocken, PA 19428, in consideration of the extension of credit by PNC BANK, NATIONAL ASSOCIATION (the "BANK"), with an address at 1000 Westlakes Drive, Suite 200, Berwyn, PA 19312, to ENVIRONMENTAL TECTONICS CORPORATION (the "BORROWER"), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

1. GUARANTY OF OBLIGATIONS. The Guarantor hereby unconditionally guarantees, as a primary obligor, and becomes surety for, the prompt payment and performance of all loans, advances, debts, liabilities, reimbursement and other obligations, covenants and duties owing by the Borrower to the Bank of any kind or nature, present or future (including any interest accruing thereon after maturity, or after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect (including those acquired by assignment or participation), absolute or contingent, joint or several, due or to become due, now existing or hereafter arising under the letter of credit facility established under Section 2.1(d) of that certain Credit Agreement between the Borrower and the Bank (as the same has been amended through the date hereof, the "CREDIT AGREEMENT") and the Revolving Credit Letters of Credit (as defined in the Credit Agreement) issued pursuant to said Section 2.1(d), and any amendments, extensions, renewals and increases of or to the foregoing, and all costs and expenses of the Bank incurred in the enforcement, collection and otherwise in connection with the foregoing, including reasonable attorneys' fees and expenses (hereinafter referred to collectively as the "OBLIGATIONS"); provided, however, that the Guarantor's liability hereunder shall not exceed \$5,000,000 in principal amount of the Obligations (consisting of the face amount of all then outstanding Revolving Credit Letters of Credit and any reimbursement obligations with respect thereto or otherwise due at such time, as calculated on the date of acceleration or demand by the Bank), plus all interest thereon and all costs and expenses arising from the Obligations (the "GUARANTEED AMOUNT").

If the Borrower defaults under any such Obligations, the Guarantor will pay the Guaranteed Amount to the Bank. Until the Obligations are indefeasibly paid in full, the Guaranteed Amount shall not be reduced in any manner, whatsoever by any amounts which the Bank may realize before or after maturity of the Obligations, by acceleration or otherwise, as a result of payments made by or on behalf of the Borrower or by or on behalf of any other person or entity other than the Guarantor primarily or secondarily liable for the Obligations or any part thereof, or otherwise credited to the Borrower or such person or entity, or as a result of the exercise of the Bank's rights with respect to any collateral

for the Obligations or any part thereof. Payments made to the Bank by the Guarantor (other than, directly or indirectly, from collateral or other persons or entities liable for any portion of the Obligations) after maturity of the Obligations, by acceleration or otherwise, shall reduce the Guaranteed Amount.

2. NATURE OF GUARANTY; WAIVERS. This is a guaranty of payment and not of collection and the Bank shall not be required, as a condition of the Guarantor's liability, to make any demand upon or to pursue any of its rights against the Borrower, or to pursue any rights which may be available to it with

respect to any other person who may be liable for the payment of the Obligations.

This is an absolute, unconditional, irrevocable and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, and the Bank has terminated this Guaranty. This Guaranty will remain in full force and effect even if there is no principal balance or other amounts outstanding under the Obligations at a particular time or from time to time. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Bank of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Bank to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof or any security or other guaranty thereof. The Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, recoupment, deduction or defense based upon any claim the Guarantor may have (directly or indirectly) against the Borrower or the Bank, except payment or performance of the Obligations.

Notice of acceptance of this Guaranty, notice of extensions of credit to the Borrower from time to time, notice of default, diligence, presentment, notice of dishonor, protest, demand for payment, and any defense based upon the Bank's failure to comply with the notice requirements under Sections 9-611 and 9-612 of the Uniform Commercial Code as in effect from time to time are hereby waived. The Guarantor waives all defenses based on suretyship or impairment of collateral.

The Bank at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (a) change the manner, place, time or terms of payment or performance of or interest rates on, or other terms relating to, any of the Obligations; (b) renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, any other guaranties, or any security for any Obligations or guaranties; (c) apply any and all payments by whomever paid or however realized including any proceeds of any collateral, to any Obligations of the Borrower in such order, manner and amount as the Bank may determine in its sole discretion; (d) settle, compromise or deal with any other person, including the Borrower or the Guarantor, with respect to any Obligations in such manner as the Bank deems appropriate in its sole discretion; (e) substitute, exchange or release any security or guaranty; or (f) take such actions and exercise such remedies hereunder as provided herein. Notwithstanding the foregoing, by its acknowledgment of this Guaranty, the Bank agrees that, except as otherwise required by the terms of the Credit Agreement or any of the Security Documents (as defined in the Credit Agreement), so long as this Guaranty remains in effect it will not release (except as required by law or as directed by any decree or order of any court or administrative body or in connection with a substitution therefor having reasonably equivalent value) any substantial or material portion of the Collateral (as defined in the Credit Agreement) held by it without the prior written consent of the Guarantor.

3. REPAYMENTS OR RECOVERY FROM THE BANK. If any demand is made at any time upon the Bank for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations and if the Bank repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such

demand, the Guarantor will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Bank. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the

Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Bank's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.

4. FINANCIAL STATEMENTS. Unless compliance is waived in writing by the Bank or until all of the Obligations have been paid in full, the Guarantor will promptly submit to the Bank such information relating to the Guarantor's affairs (including, but not limited to, annual financial statements and tax returns for the Guarantor) or any security for the Guaranty at any time provided by the Guarantor as the Bank may reasonably request.

5. ENFORCEABILITY OF OBLIGATIONS. No modification, limitation or discharge of the Obligations arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of the Borrower that may result from any such proceeding.

6. EVENTS OF DEFAULT. The occurrence of any of the following shall be an "EVENT OF DEFAULT": (i) any Event of Default (as defined in the Credit Agreement); (ii) the Guarantor's failure to perform any of its obligations hereunder; (iii) the falsity, inaccuracy or material breach by the Guarantor of any written warranty, representation or statement made or furnished to the Bank by or on behalf of the Guarantor; (iv) the termination or attempted termination of this Guaranty; (v) the Guarantor shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking arrangement, adjustment, winding-up, liquidation, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the Guarantor shall make a general assignment for the benefit of its creditors; or (vi) there shall be commenced against the Guarantor any case, proceeding or other action of a nature referred to in clause (v) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days. Upon the occurrence of any Event of Default, (a) the Guarantor shall pay to the Bank the amount of the Obligations; or (b) on demand of the Bank, the Guarantor shall immediately deposit with the Bank, in U.S. dollars, all amounts due or to become due under the Obligations, and the Bank may at any time use such funds to repay the Obligations; or (c) the Bank in its discretion may exercise with respect to any collateral any one or more of the rights and remedies provided a secured party under the applicable version of the Uniform Commercial Code; or (d) the Bank in its discretion may exercise from time to time any other rights and remedies available to it at law, in equity or otherwise.

7. RIGHT OF SETOFF. In addition to all liens upon and rights of setoff against the Guarantor's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Guarantor's obligations to the Bank under this Guaranty and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Guarantor hereby grants Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank all of the Guarantor's right, title and interest in and to, all of the Guarantor's deposits, moneys,

securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect

subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Guarantor. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

8. COLLATERAL. This Guaranty is secured by the property described in any collateral security documents which the Guarantor may in the future grant to the Bank to secure any Obligations of the Guarantor to the Bank.

9. COSTS. To the extent that the Bank incurs any costs or expenses in protecting or enforcing its rights under the Obligations or this Guaranty, including reasonable attorneys' fees and the costs and expenses of litigation, such costs and expenses will be due on demand, will be included in the Obligations and will bear interest from the incurring or payment thereof at the default interest rate provided under the Credit Agreement.

10. POSTPONEMENT OF SUBROGATION. Until the Obligations and all other obligations of the Borrower to the Bank are indefeasibly paid in full, expire, are terminated and are not subject to any right of revocation or rescission, the Guarantor postpones and subordinates in favor of the Bank or its designee (and any assignee or potential assignee) any and all rights which the Guarantor may have to (a) assert any claim whatsoever against the Borrower based on subrogation, exoneration, reimbursement, or indemnity or any right of recourse to security for the Obligations with respect to payments made hereunder, and (b) any realization on any property of the Borrower, including participation in any marshalling of the Borrower's assets.

11. NOTICES. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("NOTICES") must be in writing and will be effective upon receipt. Notices may be given in any manner to which the Bank and the Guarantor may separately agree, including electronic mail. Without limiting the foregoing, first-class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices. Regardless of the manner in which provided, Notices may be sent to addresses for the Bank and the Guarantor as set forth above or to such other address as either may give to the other for such purpose in accordance with this section.

12. PRESERVATION OF RIGHTS. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. The Bank's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Bank may have under other agreements, at law or in equity. The Bank may proceed in any order against the Borrower, the Guarantor or any other obligor of, or collateral securing, the Obligations.

13. ILLEGALITY. If any provision contained in this Guaranty should be invalid, illegal or unenforceable in any respect, it shall not affect or impair the validity, legality and enforceability of the remaining provisions of this Guaranty.

14. CHANGES IN WRITING. No modification, amendment or waiver of, or consent to any departure by the Guarantor from, any provision of this Guaranty will be effective unless made in a writing signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the

purpose for which given. No notice to or demand on the Guarantor will entitle the Guarantor to any other or further notice or demand in the same, similar or

other circumstance.

15. ENTIRE AGREEMENT. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Bank with respect to the subject matter hereof; provided, however, that this Guaranty is in addition to, and not in substitution for, any other guarantees from the Guarantor to the Bank.

16. SUCCESSORS AND ASSIGNS. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Bank and their respective heirs, executors, administrators, successors and assigns; provided, however, that the Guarantor may not assign this Guaranty in whole or in part without the Bank's prior written consent and the Bank at any time may assign this Guaranty in whole or in part.

17. INTERPRETATION. In this Guaranty, unless the Bank and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose. If this Guaranty is executed by more than one party as Guarantor, the obligations of such persons or entities will be joint and several.

18. GOVERNING LAW AND JURISDICTION. This Guaranty has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BANK AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE STATE WHERE THE BANK'S OFFICE INDICATED ABOVE IS LOCATED, EXCLUDING ITS CONFLICT OF LAWS RULES. The Guarantor hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Guaranty will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

19. EQUAL CREDIT OPPORTUNITY ACT. If the Guarantor is not an "applicant for credit" under Section 202.2 (e) of the Equal Credit Opportunity Act of 1974 ("ECOA"), the Guarantor acknowledges that (i) this Guaranty has been executed to provide credit support for the Obligations, and (ii) the Guarantor was not required to execute this Guaranty in violation of Section 202.7(d) of ECOA.

20. AUTHORIZATION TO OBTAIN CREDIT REPORTS. By signing below, the Guarantor provides written authorization to the Bank or its designee (and any assignee or potential assignee) to obtain the Guarantor's personal credit profile from one or more national credit bureaus. Such authorization shall extend to obtaining a credit profile in considering this Guaranty and subsequently for the purposes of update, renewal or extension of such credit or additional credit and for reviewing or collecting the resulting account.

21. WAIVER OF JURY TRIAL. THE GUARANTOR IRREVOCABLY WAIVES ANY AND ALL RIGHT THE GUARANTOR MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN

CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

The Guarantor acknowledges that it has read and understood all the provisions of this Guaranty, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

WITNESS:

_____ H.F. Lenfest (SEAL)

Print Name: _____

Acknowledged and accepted:

PNC BANK NATIONAL ASSOCIATION

By: _____

Title: _____