
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Earliest Event Reported
July 31, 2007

Environmental Tectonics Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation of organization)

1-10655

(Commission File Number)

23-1714256

(IRS Employer Identification Number)

County Line Industrial Park
Southampton, Pennsylvania

(Address of principal executive offices)

18966

(Zip Code)

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

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement.

On July 31, 2007, Environmental Tectonics Corporation (“ETC”) completed a refinancing of its indebtedness with PNC Bank, National Association (“PNC”) in the aggregate amount of up to \$15,000,000. This refinancing by ETC is an extension of a credit facility originally entered into with PNC in February 2003.

Pursuant to the terms of a Credit Agreement, dated as of July 31, 2007, between ETC and PNC (the “Credit Agreement”), ETC established a revolving line of credit with PNC in the maximum, aggregate principal amount of \$15,000,000 to be used for ETC’s working capital or other general business purposes and for issuances of letters of credit. Pursuant to the terms of the Credit Agreement, ETC executed a promissory note in favor of PNC, in the maximum principal amount of \$15,000,000, to evidence ETC’s obligation to repay the line of credit (the “Note”). Amounts borrowed under the Credit Agreement may be borrowed, repaid and reborrowed from time to time until June 30, 2009.

Borrowings made pursuant to the Credit Agreement will bear interest at either the prime loan rate (as described in the Note) minus 1.00% or the London Interbank Offered Rate (as described in the Note) as determined under the Note plus 0.90%. Under the Credit Agreement, ETC is obligated to pay a fee of 0.125% per annum for unused available funds.

The Credit Agreement contains customary affirmative and negative covenants for transactions of this type, including limitations with respect to indebtedness, liens, investments, distributions, dispositions of assets, change of business and transactions with affiliates. The Credit Agreement also contains financial covenants.

The Note provides for customary events of default with corresponding grace periods, including the failure to pay any principal or interest when due, failure to comply with covenants, material misrepresentations, certain bankruptcy, insolvency or receivership events, imposition of certain judgments and the liquidation of ETC.

ETC’s obligations under the Credit Agreement are secured by a personal guarantee from H. F. Lenfest (“Lenfest”) under a Restated Guaranty, dated July 31, 2007, made by Lenfest in favor of PNC (the “Restated Guaranty”). ETC will pay Mr. Lenfest an annual cash fee of 1% of the loan commitment for his guarantee. Mr. Lenfest is a member of ETC’s Board of Directors and a significant shareholder of ETC.

In connection with entering into the Credit Agreement, ETC was required to enter into an Amended and Restated Reimbursement Agreement, dated as of July 31, 2007, by ETC in favor of PNC (the “Reimbursement Agreement”), and an Amended and Restated Subordination and Intercreditor Agreement, dated as of July 31, 2007, by and among ETC, PNC and Lenfest (the “Subordination Agreement”). The Reimbursement Agreement governs letters of credit issued pursuant to the Credit Agreement. Under the Subordination Agreement, Lenfest agreed to continue to subordinate his rights in connection with a convertible promissory note executed by ETC in favor of Lenfest in the original aggregate principal amount of \$10,000,000, dated February 18, 2003, to the rights of PNC in connection with the Line of Credit.

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The foregoing description of the Credit Agreement, Note, Reimbursement Agreement, Subordination Agreement and Restated Guaranty is qualified in its entirety by reference to the Credit Agreement, Note, Reimbursement Agreement, Subordination Agreement and Restated Guaranty, which are filed as Exhibits 10.1, 10.2, 10.3, 10.4 and 10.5 hereto and incorporated herein by reference. ETC's press release dated July 31, 2007 announcing the execution of the Credit Agreement is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed herewith:

10.1	Credit Agreement, dated as of July 31, 2007 between ETC and PNC
10.2	\$15,000,000 Committed Line of Credit Note, dated July 31, 2007, issued by ETC in favor of PNC
10.3	Amended and Restated Reimbursement Agreement for Letters of Credit, dated as of July 31, 2007, by ETC in favor of PNC
10.4	Amended and Restated Subordination and Intercreditor Agreement, dated as of July 31, 2007, among PNC, H.F. Lenfest and ETC
10.5	Restated Guaranty Agreement, dated as of July 31, 2007, by H.F. Lenfest in favor of PNC
99.1	Press Release dated August 1, 2007

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: July 31, 2007

By /s/ Duane D. Deaner
Duane D. Deaner
Chief Financial Officer

EXHIBIT INDEX

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July 31, 2007

Environmental Tectonics Corporation
125 James Way
Southampton, PA 18966
Attention: Duane Deaner

Re: \$15,000,000 Committed Line of Credit

Dear Duane:

We are pleased to inform you that PNC Bank, National Association (the "**Bank**"), has approved your request for a committed line of credit to Environmental Tectonics Corporation (the "**Borrower**"). This letter agreement amends, restates and replaces (but does not constitute a novation of) the existing Letter Agreement dated November 16, 2006 between the Bank and the Borrower (as heretofore amended, the "**Existing Loan Agreement**").

1. Facility and Use of Proceeds. This is a committed revolving line of credit under which the Borrower may request and the Bank, subject to the terms and conditions of this letter, will make advances to the Borrower from time to time until the Expiration Date, in an amount in the aggregate at any time outstanding not to exceed \$15,000,000 (the "**Line of Credit**" or the "**Loan**"). The "**Expiration Date**" means June 30, 2009, or such later date as may be designated by the Bank by written notice to the Borrower. Advances under the Line of Credit will be used for working capital or other general business purposes of the Borrower.

The Borrower may request that the Bank, in lieu of cash advances, issue standby letters of credit (individually, a "**Letter of Credit**" and collectively the "**Letters of Credit**") having expiration dates not later than one year after the Expiration Date. The existing Letters of Credit heretofore issued by the Bank and listed on Schedule I (the "**Existing Letters of Credit**") hereto shall constitute Letters of Credit for all purposes hereunder. The availability of advances under the Line of Credit shall be reduced by the face amount of each Letter of Credit issued and outstanding (whether or not drawn). Each payment by the Bank under a Letter of Credit shall in Bank's discretion constitute an advance of principal under the Line of Credit and shall be evidenced by the Note (as defined below). The Letters of Credit shall be governed by the terms of this letter and by a reimbursement agreement, in form and content satisfactory to the Bank, executed by the Borrower in favor of the Bank (the "**Reimbursement Agreement**"). Each request for the issuance of a Letter of Credit must be accompanied by the Borrower's execution of an application on the Bank's standard forms (each, an "**Application**"), together with all supporting documentation. Each Letter of Credit will be issued in the Bank's sole discretion and in a form acceptable to the Bank. The Borrower shall pay to the Bank fees on the face amount of each Letter of Credit for the period from and excluding the date of issuance of same to and including the date of expiration or termination, equal to the average daily face amount of each outstanding Letter of Credit multiplied by (x) 1.00% per annum in the case of Existing Letters of Credit and (y) .90% per annum in the case of Letters of Credit issued after the date hereof, such fees to be calculated on the basis of a 360-day year for the actual number of days elapsed and to be payable quarterly in arrears on the first day of each fiscal quarter and on the Expiration Date,

provided that in no event shall such fees for any Letter of Credit be less than the standard minimum amount charged for letters of credit issued by the Bank from time to time for its customers, together with such other customary issuance fees, commissions and expenses therefor as shall be required by the Bank. This letter is not a pre-advice for the issuance of a letter of credit and is not irrevocable.

2. Note. The obligation of the Borrower to repay advances under the Line of Credit shall be evidenced by a promissory note (the "**Note**") in form and content satisfactory to the Bank. This letter (the "**Letter Agreement**"), the Note, the Reimbursement Agreement and the other agreements and documents executed and/or delivered pursuant hereto, as each may be amended, modified, extended or renewed from time to time, will constitute the "**Loan Documents**." Capitalized terms not defined herein shall have the meaning ascribed to them in the Loan Documents.

3. Interest Rate. Interest on the unpaid balance of the Line of Credit advances will be charged at the rates, and be payable on the dates and times, set forth in the Note.

4. Repayment. Subject to the terms and conditions of this Letter Agreement, the Borrower may borrow, repay and reborrow under the Line of Credit until the Expiration Date, on which date the outstanding principal balance and any accrued but unpaid interest shall be due and payable. Interest will be due and payable as set forth in the Note, and will be computed on the basis of a year of 360 days and paid on the actual number of days that principal is outstanding.

5. Security. The Borrower must cause to be executed and delivered to the Bank, in form and content satisfactory to the Bank as security for the Line of Credit, a restated guaranty agreement, under which H. F. Lenfest (the "**Guarantor**") will unconditionally guarantee the due and punctual payment of all indebtedness owed to the Bank by the Borrower under the Line of Credit (the "**Guaranty**").

6. Covenants. Unless compliance is waived in writing by the Bank, until payment in full of the Loan and all of the obligations of the Borrower in respect of the Letters of Credit and termination of the commitment for the Line of Credit:

(a) The Borrower will promptly submit to the Bank such information as the Bank may reasonably request relating to the Borrower's affairs (including but not limited to annual Financial Statements (as hereinafter defined) and tax returns for the Borrower and/or any security for the Line of Credit.

(b) The Borrower will not make or permit any change in its form of organization or any material change in the nature of its business as carried on as of the date of this Letter Agreement.

(c) The Borrower will notify the Bank in writing of the occurrence of any Event of Default or an act or condition which, with the passage of time, the giving of notice or both might become an Event of Default.

(d) The Borrower will comply with the financial and other covenants included in Exhibit "A" hereto.

7. Representations and Warranties. To induce the Bank to extend the Line of Credit and upon the making of each advance to the Borrower or issuance of any Letter of Credit under the Line of Credit, the Borrower represents and warrants as follows:

(a) The Borrower's latest Financial Statements provided to the Bank are true, complete and accurate in all material respects and fairly present the financial condition, assets and liabilities, whether accrued, absolute, contingent or otherwise, and the results of the Borrower's operations for the period specified therein. The Borrower's Financial Statements have been prepared in accordance with generally accepted accounting principles consistently applied from period to period subject, in the case of interim statements, to normal year-end adjustments. Since the date of the latest Financial Statements provided to the Bank, the Borrower has not suffered any damage, destruction or loss which has materially adversely affected its business, assets, operations, financial condition or results of operations.

(b) There are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Borrower, threatened against the Borrower which could result in a material adverse change in its business, assets, operations, financial condition or results of operations and there is no basis known to the Borrower or its officers, directors or shareholders for any such action, suit, proceedings or investigation.

(c) The Borrower has filed all returns and reports that are required to be filed by it in connection with any federal, state or local tax, duty or charge levied, assessed or imposed upon the Borrower or its property, including unemployment, social security and similar taxes and all of such taxes have been either paid or adequate reserve or other provision has been made therefor.

(d) The Borrower is duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing.

(e) The Borrower has full power and authority to enter into the transactions provided for in this Letter Agreement and has been duly authorized to do so by all necessary and appropriate action and when executed and delivered by the Borrower, this Letter Agreement and the other Loan Documents will constitute the legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their terms.

(f) There does not exist any default or violation by the Borrower of or under any of the terms, conditions or obligations of: (i) its organizational documents; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, regulation, ruling, order, injunction, decree,

condition or other requirement applicable to or imposed upon the Borrower by any law or by any governmental authority, court or agency.

8. Fees. Beginning on the first day of the quarter after the date hereof and continuing on the first day of each quarter thereafter until the Expiration Date, the Borrower shall pay a commitment fee to the Bank, in arrears, at the rate of one eighth of one percent (.125%) per annum on the average daily balance of the Line of Credit which is undisbursed and uncanceled during the preceding quarter. For purposes of calculating such fee, outstanding Letters of Credit shall constitute disbursements under the Line of Credit. The commitment fee shall be computed on the basis of a year of 360 days and paid on the actual number of days elapsed.

9. Expenses. The Borrower shall reimburse the Bank for the Bank's expenses (including the reasonable fees and expenses of the Bank's outside and in-house counsel) in documenting and closing this transaction, in connection with any amendments, modifications or renewals of the Line of Credit, and in connection with the collection of all of the Borrower's Obligations to the Bank, including but not limited to enforcement actions relating to the Loan.

10. Depository. The Borrower will establish and maintain at the Bank the Borrower's primary depository account.

11. Additional Provisions. Before the first advance under the Loan and/or the issuance of any additional Letter of Credit, the Borrower shall execute and deliver to the Bank the Note, an Application for each Letter of Credit, the Reimbursement Agreement, an amended and restated subordination and intercreditor agreement from the Guarantor in form and content satisfactory to the Bank and the other required Loan Documents and such other instruments and documents as the Bank may reasonably request, such as certified resolutions, incumbency certificates or other evidence of authority. The Bank will not be obligated to make any advance or issue any additional Letter of Credit under the Line of Credit if any Event of Default or event which with the passage of time, provision of notice or both would constitute an Event of Default shall have occurred and be continuing.

Prior to execution of the final Loan Documents, the Bank may terminate this Letter Agreement if a material adverse change occurs with respect to the Borrower, the Guarantor, or any other person or entity connected in any way with the Loan, or if the Borrower fails to comply with any of the terms and conditions of this Letter Agreement, or if the Bank reasonably determines that any of the conditions cannot be met.

This Letter Agreement is governed by the laws of the Commonwealth of Pennsylvania. No modification, amendment or waiver of any of the terms of this Letter Agreement, nor any consent to any departure by the Borrower therefrom, will be effective unless made in a writing signed by the party to be charged, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. When accepted, this Letter Agreement and the other Loan Documents will constitute the entire agreement between the Bank and the Borrower concerning the Line of Credit, and shall replace all prior understandings, statements,

negotiations and written materials relating to the Line of Credit or the Letters of Credit, including but not limited to the Existing Loan Agreement.

The Bank will not be responsible for any damages, consequential, incidental, special, punitive or otherwise, that may be incurred or alleged by any person or entity, including the Borrower and the Guarantor, as a result of this Letter Agreement, the other Loan Documents, the transactions contemplated hereby or thereby, or the use of the Letters of Credit.

THE BORROWER AND THE BANK IRREVOCABLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE ARISING OUT OF THIS LETTER AGREEMENT, THE OTHER LOAN DOCUMENTS AND THE TRANSACTIONS CONTEMPLATED IN ANY OF SUCH DOCUMENTS AND ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

If and when a loan closing occurs, this Letter Agreement (as the same may be amended from time to time) shall survive the closing and will serve as our loan agreement throughout the term of the Loan.

To accept these terms, please sign the enclosed copy of this Letter Agreement as set forth below and the Loan Documents and return them to the Bank within thirty (30) days from the date of this Letter Agreement, or this Letter Agreement may be terminated at the Bank's option without liability or further obligation of the Bank.

Thank you for giving PNC Bank this opportunity to work with your business. We look forward to other ways in which we may be of service to your business or to you personally.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION

By: _____ /s/ _____

Title: _____

ACCEPTANCE

With the intent to be legally bound hereby, the above terms and conditions are hereby agreed to and accepted as of this 31st day of July, 2007.

BORROWER:

ENVIRONMENTAL TECTONICS CORPORATION

By: _____ /s/ _____
(SEAL)

Print Name: _____

Title: _____

**EXHIBIT A
TO LETTER AGREEMENT
DATED JULY 31, 2007**

A. FINANCIAL REPORTING COVENANTS:

(1) The Borrower will deliver to the Bank:

(a) Financial Statements for its fiscal year, within 90 days after fiscal year end, audited and certified without qualification by a certified public accountant acceptable to the Bank.

(b) Financial Statements for each of the first three fiscal quarters, within 60 days after the quarter end, together with year-to-date and comparative figures for the corresponding periods of the prior year, certified as true and correct by its chief financial officer.

(c) With each delivery of Financial Statements, a certificate of the Borrower's chief financial officer as to the Borrower's compliance with the financial covenant set forth below for the period then ended and whether any Event of Default exists, and, if so, the nature thereof and the corrective measures the Borrower proposes to take. This certificate shall set forth all detailed calculations necessary to demonstrate such compliance.

(2) With each delivery of Financial Statements pursuant to clause (a) above, the Borrower will deliver to the Bank financial projections for the current fiscal year in a form reasonably satisfactory to the Bank.

"Financial Statements" means the consolidated balance sheet and statements of income and cash flows prepared in accordance with generally accepted accounting principles in effect from time to time (**"GAAP"**) applied on a consistent basis (subject in the case of interim statements to normal year-end adjustments).

B. FINANCIAL COVENANTS:

(1) The Borrower will maintain as of the end of each fiscal quarter a minimum Consolidated Tangible Net Worth of \$9,000,000.

"Consolidated Tangible Net Worth" means as of any date of determination, the sum of (a) the aggregate amount of all assets of the Borrower and its subsidiaries on a consolidated basis at such date as may be properly classified as such in accordance with GAAP, excluding such other assets as are properly classified as intangible assets under GAAP, (b) minus the aggregate amount of all liabilities of the Borrower and its subsidiaries and minority interests in the Borrower or any of its subsidiaries on a consolidated basis at such date, as may be properly classified as such in accordance with GAAP, plus

(c) Subordinated Debt.

“Subordinated Debt” means indebtedness that has been subordinated to the Borrower’s indebtedness to the Bank pursuant to a subordination agreement in form and content satisfactory to the Bank.

C. NEGATIVE COVENANTS:

(1) The Borrower will not liquidate, or dissolve, or merge or consolidate with any person, firm, corporation or other entity, or sell, lease, transfer or otherwise dispose of all or substantially all of its property or assets, whether now owned or hereafter acquired.

(2) The Borrower will not create, assume, incur or suffer to exist any mortgage, pledge, encumbrance, security interest, lien or charge of any kind upon any of its property, now owned or hereafter acquired, or acquire or agree to acquire any kind of property under conditional sales or other title retention agreements; provided, however, that the foregoing restrictions shall not prevent the Borrower from:

(a) incurring liens for taxes, assessments or governmental charges or levies which shall not at the time be due and payable or can thereafter be paid without penalty or are being contested in good faith by appropriate proceedings diligently conducted and with respect to which it has created adequate reserves;

(b) making pledges or deposits to secure obligations under workers’ compensation laws or similar legislation; or

(c) granting purchase money security interests in personal property of the Borrower existing or created when such property is acquired, provided that the principal amount of the indebtedness secured by each such security interest does not exceed the purchase price of the related property; or

(d) granting liens or security interests to secure existing or future Subordinated Debt to H.F. Lenfest; or

(e) granting liens or security interests in favor of the Bank.

SCHEDULE I
Existing Letters of Credit

<u>Number</u>	<u>Amount</u>	<u>Expiration Date</u>
258078	500,000.00	11-30-07
260691	21,341.75	6-30-07
18101978	195,000.00	3-26-08
18101979	585,000.00	3-26-08
18103494	15,131.00	6-30-08
258206	325,439.22	3-28-08
259738	43,190.00	6-30-08
262405	37,991.70	11-9-07
263283	161,000.00	1-31-08
18102384	710,526.32	12-31-07
18104125	16,044.60	12-30-07
18104493	614,579.00	6-30-08
18104578	21,176.10	3-30-08
18104640	1,256,743.00	6-30-08
18105243	250,200.00	2-29-08

Committed Line Of Credit Note



\$15,000,000

July 31, 2007

FOR VALUE RECEIVED, ENVIRONMENTAL TECTONICS CORPORATION (the “**Borrower**”), with an address at 125 James Way, Southampton, PA 18966, promises to pay to the order of **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”), in lawful money of the United States of America in immediately available funds at its offices located at 1000 Westlakes Drive, Suite 200, Berwyn, PA 19312 or at such other location as the Bank may designate from time to time, the principal sum of **FIFTEEN MILLION DOLLARS** (\$15,000,000) (the “**Facility**”) or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below.

1. Advances. The Borrower may request advances, repay and request additional advances hereunder until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined). The “**Expiration Date**” shall mean June 30, 2009, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (Philadelphia, Pennsylvania time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined) and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the LIBOR Option (as hereinafter defined), followed promptly thereafter by the Borrower’s written confirmation to the Bank of any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest rate options set forth below (each, an “**Option**”):

(i) **Base Rate Option.** A rate of interest per annum which is at all times equal to (A) the Prime Rate minus (B) one hundred (100) basis points (1.00%) (“**Base Rate**”). For purposes hereof, the term “**Prime Rate**” shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) **LIBOR Option.** A rate per annum equal to (A) LIBOR plus (B) ninety (90) basis points (.90%), for the applicable LIBOR Interest Period.

For purposes hereof, the following terms shall have the following meanings:

“**Business Day**” shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required by law to be closed for business in Philadelphia, Pennsylvania.

“**LIBOR**” shall mean, with respect to any advance to which the LIBOR Option applies for the applicable LIBOR Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/16th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such LIBOR Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such LIBOR Interest Period by (ii) a number equal to 1.00 minus the LIBOR Reserve Percentage.

“**LIBOR Interest Period**” shall mean, as to any advance to which the LIBOR Option applies, the period of one (1), two (2), three (3) or six (6) months as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, commencing on the date of disbursement of an advance (or the date of conversion of an advance to the LIBOR Option, as the case may be) and each successive period selected by the Borrower thereafter; provided that, (i) if a LIBOR Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day unless such day falls in the next succeeding calendar month in which case the LIBOR Interest Period shall end on the next preceding Business Day, (ii) the Borrower may not select a LIBOR Interest Period that would end on a day after the Expiration Date, and (iii) any LIBOR Interest Period that begins on the last Business Day of a calendar month (or a day for which there is no numerically corresponding day in the last calendar month of such LIBOR Interest Period) shall end on the last Business Day of the last calendar month of such LIBOR Interest Period.

“**LIBOR Reserve Percentage**” shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as “Eurocurrency liabilities”).

LIBOR shall be adjusted with respect to any advance to which the LIBOR Option applies on and as of the effective date of any change in the LIBOR Reserve Percentage. The Bank shall give prompt notice to the Borrower of LIBOR as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining LIBOR, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the LIBOR Option shall be converted at the expiration of the then current LIBOR Interest Period(s) to the Base Rate.

In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law)

of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on LIBOR, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the LIBOR Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the LIBOR Option shall be converted to the Base Rate either (i) on the last day of the then current LIBOR Interest Period(s) if the Bank may lawfully continue to maintain advances based on LIBOR to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances based on LIBOR.

The foregoing notwithstanding, it is understood that the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to three (3) different interest periods to apply simultaneously to different portions of the advances bearing interest under the LIBOR Option. Interest hereunder will be calculated based on the actual number of days that principal is outstanding over a year of 360 days. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of Default (as hereinafter defined) has occurred and is continuing, any advances bearing interest under the LIBOR Option shall, at the Bank's sole discretion, be converted at the end of the applicable LIBOR Interest Period to the Base Rate and the LIBOR Option will not be available to Borrower with respect to any new advances (or with respect to the conversion or renewal of any existing advances) until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the LIBOR Option, such notice shall be given at least three (3) Business Days prior to the commencement of any LIBOR Interest Period. If no interest period is specified in any such notice for which the resulting advance is to bear interest under the LIBOR Option, the Borrower shall be deemed to have selected a LIBOR Interest Period of one month's duration. If no notice of election, conversion or renewal is timely received by the Bank with respect to any advance, the Borrower shall be deemed to have elected the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the first day of each month during the term hereof, (b) for the portion of advances bearing interest under the LIBOR Option, on the last day of the respective LIBOR Interest Period for such advance, (c) if any LIBOR Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (d) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing interest in connection with such payment. The Borrower hereby authorizes the Bank to charge the Borrower's deposit account at the Bank for any payment when due hereunder. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "**Late Charge**"). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, each advance outstanding under this Note shall bear interest at a rate per annum (based on the actual number of days that principal is outstanding over a year of 360 days) which shall be three percentage points (3%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the "**Default Rate**"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay any advance hereunder at any time and from time to time, in whole or in part; subject, however, to payment of any break funding indemnification amounts owing pursuant to paragraph 8 below.

8. Yield Protection; Break Funding Indemnification. The Borrower shall pay to the Bank on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit, allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the LIBOR Option which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance bearing interest under the LIBOR Option, or (iii) the Borrower's payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance bearing interest under the LIBOR Option on a day other than the last day of the applicable LIBOR Interest Period. A notice as to any amounts payable pursuant to this paragraph given to the Borrower by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand. The Borrower's indemnification obligations hereunder shall survive the payment in full of the advances and all other amounts payable hereunder.

9. Other Loan Documents. This Note is issued in connection with a letter agreement or loan agreement between the Borrower and the Bank, dated on or before the date hereof, and the other agreements and documents executed and/or delivered in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the “**Loan Documents**”), and is secured by the property (if any) described in the Loan Documents and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an “**Event of Default**” under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or any default and the lapse of any notice or cure period, or any Obligor’s failure to observe or perform any covenant or other agreement, under or contained in any Loan Document or any other document now or in the future evidencing or securing any debt, liability or obligation of any Obligor to the Bank; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof, provided that the Bank shall not be obligated to advance additional funds hereunder during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of a final judgment against any Obligor and the failure of such Obligor to discharge the judgment within ten (10) days of the entry thereof; (viii) any material adverse change in any Obligor’s business, assets, operations, financial condition or results of operations; (ix) any Obligor ceases doing business as a going concern; (x) any representation or warranty made by any Obligor to the Bank in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; (xi) the revocation or attempted revocation, in whole or in part, of any guarantee by any Obligor; or (xii) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member. As used herein, the term “**Obligor**” means any Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower’s obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank’s option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank’s option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Power to Confess Judgment. The Borrower hereby empowers any attorney of any court of record, after the occurrence of any Event of Default hereunder, to appear for the Borrower and, with or without complaint filed, confess judgment, or a series of judgments, against the Borrower in favor of the Bank or any holder hereof for the entire principal balance of this Note, all accrued

interest and all other amounts due hereunder, together with costs of suit and an attorney's commission of the greater of 10% of such principal and interest or \$1,000 added as a reasonable attorney's fee, and for doing so, this Note or a copy verified by affidavit shall be a sufficient warrant. The Borrower hereby forever waives and releases all errors in said proceedings and all rights of appeal and all relief from any and all appraisal, stay or exemption laws of any state now in force or hereafter enacted. Interest on any such judgment shall accrue at the Default Rate.

No single exercise of the foregoing power to confess judgment, or a series of judgments, shall be deemed to exhaust the power, whether or not any such exercise shall be held by any court to be invalid, voidable, or void, but the power shall continue undiminished and it may be exercised from time to time as often as the Bank shall elect until such time as the Bank shall have received payment in full of the debt, interest and costs. Notwithstanding the attorney's commission provided for in the preceding paragraph (which is included in the warrant for purposes of establishing a sum certain), the amount of attorneys' fees that the Bank may recover from the Borrower shall not exceed the actual attorneys' fees incurred by the Bank.

12. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby grants the Bank a security interest in, and hereby assigns, conveys, delivers, pledges and transfers to the Bank, all of the Borrower's right, title and interest in and to, all of the Borrower'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 Borrower. 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.

13. Indemnity. The Borrower agrees to indemnify each of the Bank, each legal entity, if any, who controls, is controlled by or is under common control with the Bank, and each of their respective directors, officers and employees (the "**Indemnified Parties**"), and to hold each Indemnified Party harmless from and against any and all claims, damages, losses, liabilities and expenses (including all fees and charges of internal or external counsel with whom any Indemnified Party may consult and all expenses of litigation and preparation therefor) which any Indemnified Party may incur or which may be asserted against any Indemnified Party by any person, entity or governmental authority (including any person or entity claiming derivatively on behalf of the Borrower), in connection with or arising out of or relating to the matters referred to in this Note or in the other Loan Documents or the use of any advance hereunder, whether (a) arising from or incurred in connection with any breach of a representation, warranty or covenant by the Borrower, or (b) arising out of or resulting from any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority; provided, however, that the foregoing indemnity agreement shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The indemnity agreement contained in this Section shall survive the termination of this Note, payment of any advance hereunder and the assignment of any rights hereunder. The Borrower may participate at its expense in the defense of any such action or claim.

14. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder ("**Notices**") must be in writing (except as may be agreed otherwise above

with respect to borrowing requests) and will be effective upon receipt. Notices may be given in any manner to which the parties 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 a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this paragraph. 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. No modification, amendment or waiver of, or consent to any departure by the Borrower from, any provision of this Note 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. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank's counsel. If any provision of this Note is found to be invalid, illegal or unenforceable in any respect by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank's written consent and the Bank at any time may assign this Note in whole or in part.

This Note 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 Note will be interpreted and the rights and liabilities of the Bank and the Borrower 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 Borrower 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 Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

15. Authorization to Obtain Credit Reports. By signing below, each Borrower who is an individual provides written authorization to the Bank or its designee (and any assignee or potential assignee hereof) to obtain the Borrower's personal credit profile from one or more national credit bureaus. Such authorization shall extend to obtaining a credit profile in considering this Note and subsequently for the purposes of update, renewal or extension of such credit or additional credit and for reviewing or collecting the resulting account.

16. WAIVER OF JURY TRIAL. The Borrower irrevocably waives any and all rights the Borrower may have to a trial by jury in any action, proceeding or claim of any nature relating to this Note, any documents executed in connection with this Note or any transaction contemplated in any of such documents. The Borrower acknowledges that the foregoing waiver is knowing and voluntary.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the confession of judgment and 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.

ENVIRONMENTAL TECTONICS CORPORATION

By: _____ /s/ _____ (SEAL)

Print Name: _____

Title: _____

Disclosure for Confession of Judgment

Undersigned: Environmental Tectonics Corporation
125 James Way
Southampton, PA 18966

Lender: PNC Bank, National Association
1000 Westlakes Drive, Suite 200
Berwyn, PA 19312

The undersigned has executed, and/or is executing, on or about the date hereof, a Committed Line of Credit Note in the principal amount of \$15,000,000, under which the undersigned is obligated to repay monies to Lender.

A. The undersigned acknowledges and agrees that the above documents contain provisions under which Lender may enter judgment by confession against the undersigned. Being fully aware of its rights to prior notice and a hearing on the validity of any judgment or other claims that may be asserted against it by Lender thereunder before judgment is entered, the undersigned hereby freely, knowingly and intelligently waives these rights and expressly agrees and consents to Lender's entering judgment against it by confession pursuant to the terms thereof.

B. The undersigned also acknowledges and agrees that the above documents contain provisions under which Lender may, after entry of judgment and without either notice or a hearing, foreclose upon, attach, levy, take possession of or otherwise seize property of the undersigned in full or partial payment of the judgment. Being fully aware of its rights after judgment is entered (including the right to move to open or strike the judgment), the undersigned hereby freely, knowingly and intelligently waives its rights to notice and a hearing and expressly agrees and consents to Lender's taking such actions as may be permitted under applicable state and federal law without prior notice to the undersigned.

C. The undersigned certifies that a representative of Lender specifically called the confession of judgment provisions in the above documents to the attention of the undersigned, and/or that the undersigned was represented by legal counsel in connection with the above documents.

D. The undersigned hereby certifies: that its annual revenues exceed \$10,000; that all references to "the undersigned" above refer to all persons and entities signing below; and that the undersigned received a copy hereof at the time of signing.

Dated: July 31, 2007

ENVIRONMENTAL TECTONICS CORPORATION

By: /s/ _____ (SEAL)

Print Name: _____

Title: _____

**Amended and Restated
Reimbursement Agreement
for Letters of Credit**



THIS AMENDED AND RESTATED REIMBURSEMENT AGREEMENT FOR LETTERS OF CREDIT (this “**Agreement**”) is made as of this 31st day of July, 2007, by **ENVIRONMENTAL TECTONICS CORPORATION** (the “**Obligor**”), with an address at 125 James Way, Southampton, PA 18966 in favor of **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”), with an address at 500 First Avenue, Third Floor, Pittsburgh, PA 15219. This Agreement amends and restates that certain Reimbursement Agreement for Letters of Credit between the Obligor and the Bank dated as of November 16, 2006 (as heretofore amended, the “**Existing Reimbursement Agreement**”). From time to time by submitting an application in a form approved by the Bank (an “**Application**”), the Obligor or any of its subsidiaries or affiliates has requested or may hereafter request the Bank to issue one or more letters of credit (each, a “**Credit**”) (including the Credits listed on Schedule I hereto (the “**Existing Credits**”) heretofore issued under the Existing Reimbursement Agreement. The Bank may issue any such Credit, but the Bank shall have no obligation to do so unless otherwise agreed in writing. The Obligor agrees that the following terms and conditions shall apply to any Credit including the Existing Credits:

1. Definitions and Interpretation. (a) In addition to terms defined elsewhere in this Agreement: “**Bank Affiliate**” means any direct or indirect subsidiary of The PNC Financial Services Group, Inc.; “**Base Rate**” means a fluctuating rate per annum equal to the greater of (i) the interest rate per annum announced from time to time by the Bank as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Bank; or (ii) the rate applicable to federal funds transactions, as reasonably determined by the Bank, *plus* .50%; “**Business Day**” means any day other than a Saturday, Sunday or other day on which banks in Pittsburgh, Pennsylvania, or any other city of which the Bank may give the Obligor notice from time to time, are authorized or required by law to close; “**Dollar Equivalent**” means, with respect to an amount in any currency other than U.S. dollars, as of any date, the amount of U.S. dollars into which such amount in such currency may be converted at the spot rate at which U.S. dollars are offered by the Bank in Pittsburgh for such currency at approximately 11:00 a.m., Prevailing Time, on such date, *plus* all actual costs of settlement, including amounts incurred by the Bank to comply with currency exchange requirements of any Governmental Authority; “**Governmental Authority**” means any *de facto* or *de jure* domestic or foreign government, court, tribunal, agency, or other purported authority; “**ISP98**” means the International Standby Practices 1998, and any subsequent official revision thereof; “**Prevailing Time**” means the prevailing time in Pittsburgh, Pennsylvania (or any other city of which the Bank may have given the Obligor notice) on the date in question; “**Taxes**” means all taxes, fees, duties, levies, imposts, deductions, charges or withholdings of any kind (other than taxes on the Bank’s net income); and “**UCP**” means the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500, and any subsequent official revision thereof.

(b) If this Agreement is signed by more than one Obligor, each shall be deemed to make to the Bank all the representations, warranties and covenants contained herein, and each shall be jointly and severally liable hereunder. Any reference herein to this Agreement, an Application, a Credit, or any other instrument, agreement or document related hereto or thereto shall be deemed to refer to all amendments, modifications, extensions and renewals hereof and thereof. Determinations made by the Bank pursuant to the terms hereof shall be conclusive absent manifest error.

2. Payments. (a) The Obligor will pay to the Bank the amount to be paid by the Bank with respect to each draft or other payment demand made under a Credit no later than 10 a.m., Prevailing Time, on the date such payment is to be made by the Bank, or such earlier time as the Bank may reasonably require. If a Credit calls for the delivery by the Bank of an item other than money, the Obligor shall deliver or cause to be delivered

such item to the Bank at such time, in advance of the time the Bank is to deliver such item, as the Bank may reasonably require.

(b) The Obligor agrees to be primarily liable for payment to the Bank with respect to any Credit issued by the Bank at the request of any subsidiary or affiliate of the Obligor. The Obligor authorizes the Bank to accept Applications from the Obligor's subsidiaries and affiliates.

(c) The Obligor will pay to the Bank upon receipt of the Bank's invoice therefor (i) interest on all amounts payable to the Bank hereunder from the date due to the date of payment, at the Base Rate *plus* 3.75%; provided that in no event shall the Obligor pay interest in excess of the maximum rate permitted by applicable law; (ii) the Bank's fees as separately agreed to by the Obligor and the Bank, as well as the customary commissions and other charges regularly charged by the Bank for letters of credit; and (iii) all charges and expenses paid or incurred by the Bank or any of its correspondents in connection with this Agreement or any Credit, including all reasonable legal fees and expenses, whether of internal or external counsel to the Bank. All periodic interest, fees and commissions shall be calculated on the basis of the actual days elapsed in a 360 day year, and interest shall continue to accrue at the applicable rate set forth herein whether or not a default exists or a judgment has been entered.

(d) All amounts payable hereunder by the Obligor shall be paid to the Bank at its address set forth above or at such other place as the Bank may give notice from time to time, in immediately available funds in the currency specified by the Bank, without set off, defense, recoupment, deduction, cross-claim or counterclaim of any kind; and free and clear of, and without deduction for, any present or future Taxes. If the Bank or the Obligor pays any Taxes, whether or not correctly or legally assessed, the amounts payable hereunder shall be increased so that, after the payment of such Taxes, the Bank shall have received an amount equal to the sum the Bank would have received had no such Taxes been paid. If any amount payable hereunder is denominated in a currency other than U.S. dollars, the Obligor shall make payment in such currency or, at the Bank's option, shall pay the Dollar Equivalent thereof. To effect any payment due hereunder, the Bank may debit any account that the Obligor may have with the Bank or any Bank Affiliate.

3. Nature of Obligations. (a) The Obligor's obligations to the Bank under this Agreement are absolute, unconditional and irrevocable, and shall be paid and performed in accordance with the terms hereof irrespective of any act, omission, event or condition, including, without limitation (i) the form of, any lack of power or authority of any signer of, or the lack of validity, sufficiency, accuracy, enforceability or genuineness of (or any defect in or forgery of any signature or endorsement on) any draft, demand, document, certificate or instrument presented in connection with any Credit, or any fraud or alleged fraud in connection with any Credit or any obligation underlying any Credit, in each case, even if the Bank or any of its correspondents have been notified thereof; (ii) any claim of breach of warranty that might be made by the Obligor or the Bank against any beneficiary of a Credit, or the existence of any claim, set off, recoupment, counterclaim, cross-claim, defense, or other right that the Obligor may at any time have against any beneficiary, any successor beneficiary, any transferee or assignee of the proceeds of a Credit, the Bank or any correspondent or agent of the Bank, or any other person, however arising; (iii) any acts or omissions by, or the solvency of, any beneficiary of any Credit, or any other person having a role in any transaction or obligation relating to a Credit; (iv) any failure by the Bank to issue any Credit in the form requested by the Obligor, *unless* the Bank receives written notice from the Obligor of such failure within three Business Days after the Bank shall have furnished the Obligor (by facsimile transmission or otherwise) a copy of such Credit and such error is material; and (v) any action or omission (including failure or compulsion to honor a presentation under any Credit) by the Bank or any of its correspondents in connection with a Credit, draft or other demand for payment, document, or any property relating to a Credit, and resulting from any censorship, law, regulation, order, control, restriction, or the like, rightfully or wrongly exercised by any Governmental Authority, or from any other cause beyond the reasonable control of the Bank or any of its correspondents, or for any loss or damage to the Obligor or to anyone else, or to any property of the Obligor or anyone else, resulting from any such action or omission.

(b) The Bank is authorized to honor any presentation under a Credit without regard to, and without any duty on the Bank's part to inquire into, any transaction or obligation underlying such Credit, or any disputes or controversies between the Obligor and any beneficiary of a Credit, or any other person, notwithstanding that the Bank may have assisted the Obligor in the preparation of the wording of any Credit or documents required to be presented thereunder or that the Bank may be aware of any underlying transaction or obligation or be familiar with any of the parties thereto.

(c) The Obligor agrees that any action or omission by the Bank or any of its correspondents in connection with any Credit or presentation thereunder shall be binding on the Obligor and shall not result in any liability of the Bank or any of its correspondents to the Obligor in the absence of the gross negligence or willful misconduct of the Bank. Without limiting the generality of the foregoing, the Bank and each of its correspondents (i) may rely on any oral or other communication believed in good faith by the Bank or such correspondent to have been authorized or given by or on behalf of the Obligor; (ii) may honor any presentation if the documents presented appear on their face substantially to comply with the terms and conditions of the relevant Credit; (iii) may honor a previously dishonored presentation under a Credit, whether such dishonor was pursuant to a court order, to settle or compromise any claim of wrongful dishonor, or otherwise, and shall be entitled to reimbursement to the same extent as if such presentation had initially been honored, together with any interest paid by the Bank; (iv) may honor any drawing that is payable upon presentation of a statement advising negotiation or payment, upon receipt of such statement (even if such statement indicates that a draft or other document is being separately delivered), and shall not be liable for any failure of any such draft or other document to arrive, or to conform in any way with the relevant Credit; and (v) may pay any paying or negotiating bank claiming that it rightfully honored under the laws or practices of the place where such bank is located. In no event shall the Bank be liable to the Obligor for any indirect, consequential, incidental, punitive, exemplary or special damages or expenses (including without limitation attorneys' fees), or for any damages resulting from any change in the value of any property relating to a Credit.

(d) If the Obligor or any other person seeks to delay or enjoin the honor by the Bank of a presentation under a Credit, the Bank shall have no obligation to delay or refuse to honor the presentation until validly so ordered by a court of competent jurisdiction.

4. Set Off and Security. As collateral security for the due payment and performance of the Obligor's obligations to the Bank hereunder and otherwise, whether such obligations are absolute or contingent and exist now or arise after the date hereof, the Obligor grants to the Bank a contractual possessory security interest in, an unqualified right to possession and disposition of, and a contractual right of set off against, in each case, to the fullest extent permitted by law (a) all property relating to any Credit, and all drafts, payment demands, transport documents, warehouse receipts, documents of title, policies or certificates of insurance and other documents relating to any Credit; (b) property in the possession of, on deposit with, or in transit to, the Bank or any Bank Affiliate, now or hereafter, regardless of how obtained or held (whether in a general or special account or deposit, jointly or with someone else, in safekeeping, or otherwise); and (c) the proceeds (including insurance proceeds) of each of the above (collectively, the "**Collateral**"). The Bank's rights with respect to the Collateral may be exercised without demand on or notice to the Obligor. The Bank shall be deemed to have exercised its right of set off 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. The Obligor agrees from time to time to deliver to the Bank, on demand, such further agreements and instruments, and such additional security, as the Bank may require to secure, or further secure, the Obligor's obligations hereunder.

5. Representations, Warranties, Covenants. The Obligor represents, warrants, and covenants that (a) if not a natural person, the Obligor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and duly qualified to do business in those jurisdictions in which its ownership of property or the nature of its business activities makes such qualification necessary; (b) the Obligor has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and all such action has been duly authorized by all necessary proceedings on the Obligor's part, and neither now nor hereafter shall contravene or result in a breach of any organizational document of the Obligor, any agreement,

document, or instrument binding on the Obligor or its property, or any law, treaty, regulation, or order of any Governmental Authority, or require any notice, filing, or other action to or by any Governmental Authority; (c) all financial statements and other information received from the Obligor by the Bank prior to the date hereof fairly and accurately present its financial condition in accordance with generally accepted accounting principles, and no material adverse change has occurred in the Obligor's financial condition or business operations since the date thereof; (d) there are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Obligor, threatened against the Obligor which could result in a material adverse change in its financial condition or business operations; (e) the Obligor will promptly submit to the Bank such information relating to the Obligor's affairs (including but not limited to annual financial statements) as the Bank may reasonably request; and (f) the Obligor and each transaction and obligation underlying each Credit are and shall remain in compliance with all laws, treaties, rules, and regulations of any Governmental Authority, including, without limitation, foreign exchange control, United States foreign assets control, and currency reporting laws and regulations, now or hereafter applicable.

6. Events of Default. The occurrence of any of the following is an "Event of Default" hereunder: (a) the Obligor's failure to pay when due any obligation to the Bank or any Bank Affiliate under this Agreement or otherwise; (b) the Obligor's failure to perform or observe any other term or covenant of this Agreement; (c) any representation or warranty contained in this Agreement or in any document given now or hereafter by the Obligor in connection herewith is materially false, erroneous, or misleading; (d) the occurrence of any event of default or default and the lapse of any notice or cure period under any other debt, liability or obligation of the Obligor to the Bank or any Bank Affiliate; (e) the failure to pay or perform any material obligation to any other person if such failure may cause any such obligation to be due or performable immediately; (f) any levy, garnishment, attachment, or similar proceeding is instituted against the Obligor's property in possession of, on deposit with, or in transit to, the Bank; (g) the Obligor's dissolution or termination, or the institution by or against the Obligor or any of its property of any proceeding relating to bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship, foreclosure, execution, attachment, garnishment, levy, assignment for the benefit of creditors, relief of debtors, or similar proceeding (and, in the case of any such proceeding instituted against the Obligor, such proceeding is not dismissed or stayed within 30 days of the commencement thereof); (h) the entry of a material final judgment against the Obligor and the failure of the Obligor to discharge the judgment within 10 days of the final entry thereof; (i) any material adverse change in the Obligor's business, assets, operations, financial condition or results of operations; (j) the death, incarceration, indictment, or legal incompetency of an individual Obligor or, if the Obligor is a partnership or limited liability company, the death, incarceration, indictment, or legal incompetency of any individual general partner or member; (k) the occurrence of any of the above events with respect to any person which has now or hereafter guaranteed or provided any collateral for any of the Obligor's obligations hereunder; or (l) any guarantee, or any document, instrument or agreement purporting to provide the Bank security for the Obligor's obligations hereunder shall be challenged, repudiated, or unenforceable for any reason.

7. Remedies. Upon the occurrence of any Event of Default (a) the amount of each Credit, together with any additional amounts payable hereunder, shall, at the Bank's option, become due and payable immediately without demand upon or notice to the Obligor; (b) the Bank may exercise from time to time any of the rights and remedies available to the Bank under this Agreement, under any other documents now or in the future evidencing or securing obligations of the Obligor to the Bank, or under applicable law, and all such remedies shall be cumulative and not exclusive; and (c) upon request of the Bank, the Obligor shall promptly deliver to the Bank in immediately available funds, as collateral for any and all obligations of the Obligor to the Bank, an amount equal to 105% of the maximum aggregate amount then or at any time thereafter available to be drawn under all outstanding Credits, and the Obligor hereby pledges to the Bank and grants to the Bank a security interest in all such funds as security for such obligations, acknowledges that the Bank shall at all times have control of such funds and shall be authorized to give entitlement orders (as defined in the UCC) with respect to such funds, without further consent of the Obligor or any other person, and agrees promptly to do all further things that the Bank may deem necessary in order to grant and perfect the Bank's security interest in such funds. The Obligor waives presentment, protest, dishonor, notice of dishonor, demand, notice of protest, notice of non-payment, and notice of acceptance of this Agreement, and any other notice or demand of any kind from the Bank.

8. Subrogation. The Bank, at its option, shall be subrogated to the Obligor's rights against any person who may be liable to the Obligor on any transaction or obligation underlying any Credit, to the rights of any holder in due course or person with similar status against the Obligor, and to the rights of any beneficiary or any successor or assignee of any beneficiary.

9. Indemnification. The Obligor agrees to indemnify the Bank and each Bank Affiliate and each of their respective officers, directors, shareholders, employees and agents (each, an "**Indemnified Party**") and to hold each Indemnified Party harmless from and against any and all claims, liabilities, losses, damages, Taxes, penalties, interest, judgments, costs and expenses (including reasonable legal fees and costs, whether of internal or external counsel to the Bank and all expenses of litigation or preparation therefor), which may be incurred by or awarded against any Indemnified Party, and which arise out of or in connection with (a) any Credit, this Agreement, or any suit, action, claim, proceeding or governmental investigation, pending or threatened, whether based on statute, regulation or order, or tort, or contract or otherwise, before any court or governmental authority, which arise out of or relates to this Agreement or any Credit (and irrespective of who may be the prevailing party); (b) any payment or action taken in connection with any Credit, including, without limitation, any action or proceeding seeking to restrain any drawing under a Credit or to compel or restrain any payment or any other action under a Credit or this Agreement (and irrespective of who may be the prevailing party); (c) the enforcement of this Agreement or the collection or sale of any property or collateral; and (d) any act or omission of any Governmental Authority or other cause beyond the Bank's reasonable control; except, in each case, to the extent such claim, liability, loss, damage, Tax, penalty, interest, judgment, cost or expense is found by a final judgment of a court of competent jurisdiction to have resulted from the Bank's gross negligence or willful misconduct.

10. Miscellaneous. 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 parties may separately agree, including electronic mail. Without limiting the foregoing: (i) first class mail, facsimile transmission and commercial courier service are hereby agreed to as acceptable methods for giving Notices and (ii) Applications may be submitted electronically via, and in accordance with the terms and conditions of, the PINACLE Network System (or such other network system offered by the Bank), if Obligor is an authorized user of such system or by such other electronic means acceptable to the Bank. Regardless of the manner in which provided, Notices may be sent to a party's address as set forth above or to such other address as any party may give to the other for such purpose in accordance with this section. The Bank may rely, and shall be protected in acting or refraining from acting, upon any Notice or Application believed by the Bank to be genuine and to have been given by the proper party or parties. 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 to be a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. No modification, amendment or waiver of, or consent to any departure by the Obligor from, any provision of this Agreement, 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. If any provision of this Agreement is found to be invalid by a court, all the other provisions of the Agreement will remain in full force and effect. If this Agreement is executed by more than one Obligor, each Obligor waives any and all defenses to payment and performance hereunder based upon principles of suretyship, impairment of collateral, or otherwise and, without limiting the generality of the foregoing, each Obligor consents to: any change in the time, manner, or place of payment of or in any other term of all or any of the obligations of any other Obligor hereunder or otherwise, and any exchange or release of any property or collateral, or the release or other amendment, extension, renewal, waiver of, or consent to departure from, the terms hereof or of any guaranty or security agreement or any other agreement related hereto. This Agreement will be binding upon and inure to the benefit of the Obligor and the Bank and their respective heirs, executors, administrators, successors and assigns; *provided, however*, that the Obligor may not assign this Agreement in whole or in part without the Bank's prior written consent and the Bank may at any time assign this Agreement in whole or in part. The Obligor hereby authorizes the Bank, from time to time without notice to the Obligor, to record telephonic and other electronic communications of the Obligor and provide any information pertaining to the financial condition, business operations or creditworthiness of the Obligor to or at the direction of any Governmental Authority, to any of the Bank's correspondents, and any Bank Affiliate, and to any of its or their directors, officers, employees, auditors

SCHEDULE I
Existing Letters of Credit

Number	Amount	Expiration Date
258078	500,000.00	11-30-07
260691	21,341.75	6-30-07
18101978	195,000.00	3-26-08
18101979	585,000.00	3-26-08
18103494	15,131.00	6-30-08
258206	325,439.22	3-28-08
259738	43,190.00	6-30-08
262405	37,991.70	11-9-07
263283	161,000.00	1-31-08
18102384	710,526.32	12-31-07
18104125	16,044.60	12-30-07
18104493	614,579.00	6-30-08
18104578	21,176.10	3-30-08
18104640	1,256,743.00	6-30-08
18105243	250,200.00	2-29-08

**AMENDED AND RESTATED SUBORDINATION AND
INTERCREDITOR AGREEMENT**

This Amended and Restated Subordination and Intercreditor Agreement (this “Agreement”) is dated as of July 31, 2007 among **PNC BANK, NATIONAL ASSOCIATION** (the “Bank”), **SUBORDINATED LENDER** (as defined below), and **ENVIRONMENTAL TECTONICS CORPORATION**, a Pennsylvania corporation (“Company”).

BACKGROUND

As an inducement for Bank to continue and increase a credit facility in favor of Company, Subordinated Lender has agreed to enter into this Agreement to provide for the subordination of (i) the Subordinated Indebtedness (as defined below) and (ii) the Liens (as defined below) in the assets of Company granted to Subordinated Lender to the prior payment of Senior Indebtedness (as defined below) and to any Liens granted to Bank. This Agreement restates and replaces (but does not constitute a novation of) the existing Restated Subordination and Intercreditor Agreement among Bank, Subordinated Lender and Company dated as of November 16, 2006.

AGREEMENTS

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

1.1 General Terms. For purposes of this Agreement, the following terms shall have the following meanings:

“Bank” shall have the meaning set forth in the introductory paragraph of this Agreement and any successor, assign or other provider of the Senior Indebtedness.

“Collateral” shall mean all of the property and interests in property, tangible or intangible, real or personal, now owned or hereafter acquired by Company or the Guarantor in or upon which Bank and/or Subordinated Lender at any time has a Lien, and including, without limitation, all proceeds and products of such property and interests in property and any guaranty by the Guarantor.

“Company” shall mean Company and its successors and assigns.

“Creditor Agreements” shall mean, collectively, the Senior Lending Agreements and the Subordinated Lending Agreements.

“Creditors” shall mean, collectively, Bank and Subordinated Lender and their respective successors and assigns.

“Default” shall have the meaning given to the term “Default” set forth in the Loan Agreement.

“Distribution” shall mean any payment in cash or any other property (other than securities of the Company into which the Subordinated Indebtedness is convertible pursuant to the terms of the Subordinated Note), or security for any such Distribution.

“Event of Default” shall have the meaning given to the term “Event of Default” in any of the Senior Lending Agreements.

“Guarantor” shall mean H.F. Lenfest, an individual.

“Insolvency Event” shall have the meaning set forth in Section 2.2(c) hereof.

“Lien” shall mean any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance (including, but not limited to, easements, rights of way and the like), lien (statutory or other), security agreement or transfer intended as security including, without limitation, any conditional sale or other title retention agreement, the interest of a lessor under a capital lease or any financing lease having substantially the same economic effect as any of the foregoing.

“Loan Agreement” shall mean the amended and restated Letter Agreement, dated as of the date hereof, between Company and Bank, as the same may be amended, supplemented, modified or restated from time to time.

“Note Purchase Agreement” shall mean the Convertible Note and Warrant Purchase Agreement dated as of February 18, 2003 between Company and Subordinated Lender, as the same has and may be amended, supplemented, modified or restated from time to time.

“Person” shall mean an individual, a partnership, a corporation (including a business trust), a joint stock company, a trust, an unincorporated association, a joint venture, a limited liability company, a limited liability partnership or other entity, or a government or any agency, instrumentality or political subdivision thereof.

“Secured Lender Remedies” shall mean any action which results in the sale, foreclosure, realization upon, or a liquidation of any of the Collateral including, without limitation, the exercise or any of the rights or remedies of a “secured party” under Article 9 of the Uniform Commercial Code, such as, without limitation, the notification of account debtors.

“Senior Indebtedness” shall mean all obligations of any kind owed by Company or the Guarantor to Bank from time to time under or pursuant to any of the Senior Lending Agreements including, without limitation, all principal, interest accruing thereon, charges, expenses, fees and other sums (including all interest, charges, expenses, fees and other sums accruing after commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of Company) chargeable to Company or Guarantor by Bank, and reimbursement, indemnity or other obligations due and payable to Bank. Senior Indebtedness shall continue to constitute Senior Indebtedness, notwithstanding the fact that such Senior Indebtedness or any claim for such Senior Indebtedness is subordinated, avoided or disallowed under the federal

Bankruptcy Code or other applicable law. Senior Indebtedness shall also include any indebtedness of Company incurred in connection with a refinancing of the Senior Indebtedness under the Senior Lending Agreements if the terms and conditions of the agreements, documents and instruments related to such refinancing, taken as a whole, are not materially more onerous to Subordinated Lender than those set forth in the Senior Lending Agreements, as in effect on the date hereof. The principal portion of the Senior Indebtedness and the principal amount subject to this Agreement shall in no event exceed \$20,000,000.

“Subordinated Lender” shall mean H.F. Lenfest and any other Person(s) at any time or in any manner acquiring any right or interest in any of the Subordinated Indebtedness.

“Senior Lending Agreements” shall mean collectively the Loan Agreement and the Loan Documents together with any other agreements, documents and instruments at any time evidencing, securing or related to the Senior Indebtedness, each as from time to time in effect.

“Subordinated Indebtedness” shall mean all principal, interest and other amounts payable or chargeable in connection with the Subordinated Note.

“Subordinated Lending Agreements” shall mean, collectively, the Note Purchase Agreement, the Subordinated Note and all promissory notes, guaranties, agreements, documents and instruments now or at any time hereafter executed and/or delivered by Company, Guarantor or any other person to, with or in favor of Subordinated Lender in connection therewith or related thereto (other than the warrants issued simultaneously with the Subordinated Note and the documents and agreements executed in connection therewith or related thereto), as all of the foregoing now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

“Subordinated Note” shall mean collectively the convertible promissory note issued by Company to Subordinated Lender in the original aggregate principal amount of \$10,000,000 dated February 18, 2003 issued pursuant to the Note Purchase Agreement, together with any extensions thereof, or modifications or amendments thereto or replacements and substitutions therefor.

1.2 Other Terms. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

1.3 Certain Matters of Construction. The terms “herein”, “hereof and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph or subdivision. Any pronoun used shall be deemed to cover all genders. Wherever appropriate in the context, terms used herein in the singular also include the plural and vice versa. All references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations. Except as expressly set forth herein, all references to any instruments or agreements, including, without limitation, references to any of the Creditor Agreements shall include any and all modifications or amendments thereto and any and all extensions or renewals thereof.

2. Covenants. Company and Subordinated Lender hereby covenant that until the Senior Indebtedness shall have been paid in full and satisfied in cash and the Loan Agreement

shall have been terminated, all in accordance with the terms of the Loan Agreement, each will comply with such of the following provisions as are applicable to it:

2.1 Transfers. Subordinated Lender covenants to cause any transferee from it of any Subordinated Indebtedness, prior to acquiring such interest, to execute and deliver a counterpart of this Agreement to Bank.

2.2 Subordination Provisions. To induce Bank to enter into the Loan Agreement, notwithstanding any other provision of the Subordinated Indebtedness to the contrary but subject to subsection 2.2(a), any Distribution with respect to the Subordinated Indebtedness is and shall be expressly junior and subordinated in right of payment to all amounts due and owing upon all Senior Indebtedness outstanding from time to time until such time as the Senior Indebtedness has been paid in full in cash and the Loan Agreement has been terminated.

(a) Payments. Company shall not make a Distribution on the Subordinated Indebtedness until such time as the Senior Indebtedness shall have been paid in full in cash and the Loan Agreement shall have been terminated; provided, however, so long as no Default or Event of Default shall have occurred and be continuing under the Senior Lending Agreements, Company may pay, and Subordinated Lender may receive, regularly scheduled payments of interest on, and principal at the stated (but not any accelerated) maturity of, the Subordinated Indebtedness as set forth on the date hereof in the Note Purchase Agreement and the Subordinated Note.

Following the occurrence of an Event of Default under the Senior Lending Agreements and receipt by Subordinated Lender of written notice of such Event of Default from Bank (such notice, the "Default Notice"), Company shall not make a Distribution on the Subordinated Indebtedness and Subordinated Lender shall not be entitled to receive any such Distribution in respect of the Subordinated Indebtedness; provided, however, that notwithstanding the foregoing restriction, Company may pay, and Subordinated Lender shall be entitled to receive, any then due and payable (on a non-accelerated basis) interest payment with respect to the Subordinated Indebtedness on the earlier to occur of (x) the date on which all such Events of Default specified in the Default Notice shall have been cured or waived, or (y) in the case of an Event of Default other than with respect to the payment when due of any Senior Indebtedness, the expiration of a period of 180 days from delivery of the Default Notice. Nothing herein shall limit the accrual of deferred interest or default interest in accordance with the terms of the Subordinated Lending Agreements.

(b) Limitation on Acceleration. During any period described in Section 2.2 (a) hereof in which a Distribution is not permitted to be made on Subordinated Indebtedness, Subordinated Lender shall not be entitled to accelerate the maturity of the Subordinated Indebtedness, exercise any Secured Lender Remedies or commence any other action or proceeding to recover any amounts due or to become due with respect to Subordinated Indebtedness, provided, however, the foregoing limitation on acceleration or exercise of any remedies shall not be applicable following (x) the occurrence of an Insolvency Event or (y) following the maturity or acceleration of the Senior Indebtedness.

(c) Prior Payment of Senior Indebtedness in Bankruptcy, etc. In the event of any insolvency or bankruptcy proceedings relative to Company or Company's property, or any receivership, liquidation, reorganization or other similar proceedings in connection therewith, or, in the event of any proceedings for voluntary liquidation, dissolution or other winding up of Company or distribution or marshalling of Company's assets or any composition with creditors of Company, whether or not involving insolvency or bankruptcy, or if Company shall cease its operations, call a meeting of its creditors or no longer do business as a going concern (each individually or collectively, an "Insolvency Event"), then all Senior Indebtedness shall be paid in full and satisfied in cash and the Loan Agreement terminated before any Distribution shall be made on account of any Subordinated Indebtedness. Any such Distribution resulting from an Insolvency Event which would, but for the provisions hereof, be payable or deliverable in respect of the Subordinated Indebtedness, shall be paid or delivered directly to Bank until amounts owing upon Senior Indebtedness shall have been paid in full in cash and the Loan Agreement terminated provided that any such Distribution to Bank to which Subordinated Lender would be entitled except for the provisions of this Agreement shall, as between Company and Subordinated Lender, not be deemed to be a Distribution by Company to or on account of the Subordinated Indebtedness.

(d) Acceleration. In the event of all Senior Indebtedness becoming due and payable, whether by acceleration, maturity or otherwise, no Distribution shall thereafter be made on account of the Subordinated Indebtedness until all Senior Indebtedness shall be paid in full in cash and the Loan Agreement shall have been terminated.

(e) Power of Attorney. Subordinated Lender shall have the right to participate in any bankruptcy or insolvency proceedings, subject to the terms and conditions of this Section 2.2(e). To enable Bank to assert and enforce its rights hereunder upon the happening of any Insolvency Event and until all amounts owing upon Senior Indebtedness shall have been paid in full in cash and the Loan Agreement terminated, Bank or any person whom it may designate is hereby irrevocably appointed attorney in fact for Subordinated Lender with full power to act in the place and stead of Subordinated Lender solely for such purpose, including the right to make, present, file and vote such proofs of claim against Company on account of all or any part of the Subordinated Indebtedness as Bank may deem advisable and to receive and collect any and all distributions or other payments in respect of the Subordinated Indebtedness made thereon and to apply the same on account of the Senior Indebtedness. In the event that Bank or its designee fails to file a proof of claim with respect to the Subordinated Indebtedness in any bankruptcy proceeding relative to Company prior to the date which is ten (10) days prior to any claims bar date in such proceeding, Subordinated Lender may file such proofs of claim with respect to the Subordinated Indebtedness. Subordinated Lender will execute and deliver to Bank such instruments as may be required by Bank to enforce any and all Subordinated Indebtedness, to effectuate the aforesaid power of attorney and to effect collection of any and all distributions or other payments in respect of the Subordinated Indebtedness which may be made at any time after the occurrence of an Insolvency Event, on account thereof, and Subordinated Lender hereby irrevocably appoints Bank as the lawful attorney and agent of Subordinated Lender to execute financing statements on behalf of Subordinated Lender and hereby further authorizes Bank to file such financing statements in any appropriate public office.

(f) Knowledge; Delivery of Default Notice. Subordinated Lender shall not at any time be charged with knowledge of any Event of Default under the Senior Lending Agreements or on such account be prohibited from receiving or retaining any payment of monies or from taking any action regarding acceleration or the exercise of remedies, unless and until Subordinated Lender shall have received the Default Notice; provided, however, any “default” or “event of default” under the Subordinated Note and/or Subordinated Lending Agreements shall automatically constitute an Event of Default under the Senior Lending Agreements so that payments received by Subordinated Lender following any such occurrence shall not be retained irrespective of the lack of receipt by Subordinated Lender of a Default Notice, unless the Event of Default is waived by such Holder of Subordinated Indebtedness or satisfied or cured by Company.

Each Default Notice shall be deemed to be properly given by Bank or other holder of Senior Indebtedness to Subordinated Lender if such Default Notice is delivered in accordance with Section 4.10 hereof.

(g) Payments Held in Trust. Should any Distribution or the proceeds thereof, in respect of the Subordinated Indebtedness, be collected or received by Subordinated Lender or any Affiliate (as such term is defined in Rule 405 of Regulation C adopted by the Securities and Exchange Commission pursuant to the Securities Act of 1933) of Subordinated Lender at a time when Subordinated Lender is not permitted to receive any such Distribution or proceeds thereof pursuant to the terms hereof, then Subordinated Lender will forthwith deliver, or cause to be delivered, the same to Bank in precisely the form held by Subordinated Lender (except for any necessary endorsement) and until so delivered, the same shall be held in trust by Subordinated Lender, or any such Affiliate, as the property of Bank and shall not be commingled with other property of Subordinated Lender or any such Affiliate.

(h) Subrogation. Subject to the prior payment in full in cash of the Senior Indebtedness and the termination of the Loan Agreement, to the extent that Bank has received any Distribution on the Senior Indebtedness which, but for this Agreement, would have been applied to the Subordinated Indebtedness, the rights of Subordinated Lender shall be subrogated to the then or thereafter rights of Bank including, without limitation, the right to receive any Distribution made on the Senior Indebtedness (as if the Senior Indebtedness had not been paid in full or the Loan Agreement terminated) until the principal of, interest on and other charges due under the Subordinated Indebtedness shall be paid in full; and, for the purposes of such subrogation, no Distribution to Bank to which the Subordinated Lender would be entitled except for the provisions of this Agreement shall, as between Company, its creditors (other than Bank) and Subordinated Lender, be deemed to be a Distribution by Company to or on account of Senior Indebtedness, it being understood that the provisions hereof are and are intended solely for the purpose of defining the relative rights of the Subordinated Lender on the one hand, and Bank on the other hand.

(i) Scope of Subordination. The provisions of this Agreement are solely to define the relative rights of Subordinated Lender and Bank. Nothing in this Agreement shall impair, as between Company and Subordinated Lender the unconditional and absolute obligation of Company to punctually pay the principal, interest and any other amounts and obligations owing

under the Subordinated Note and Subordinated Lending Agreements in accordance with the terms thereof, subject to the rights of Bank under this Agreement.

(j) Relationship. The parties acknowledge that certain rights and remedies are provided to Subordinated Lender in the Subordinated Lending Agreements (the "Subordinated Rights") and certain rights and remedies are provided to Bank in the Senior Lending Agreements (the "Bank Rights"). Those rights may include, among other things: (i) the right, after an Event of Default, to direct account debtors to make payments directly to such Creditor; (ii) the requirement to deliver original instruments and other possessory collateral into the possession of a Creditor; (iii) the requirement to assemble and make available collateral to a Creditor; and (iv) the requirement to execute and deliver such further documents and instruments as a Creditor may deem necessary to obtain, preserve and enforce the benefits of its Creditor Agreements. In addition, the Company has certain obligations to Subordinated Lender in the Subordinated Lending Agreements (the "Company Subordinated Lender Obligations") and the Company has certain obligations to the Bank in the Senior Lending Agreements (the "Company Bank Obligations"). The parties agree that, (a) in the event of a conflict between the Subordinated Lender Rights and the Bank Rights, the Bank Rights shall be superior to the Subordinated Lender Rights, and (b) that in the event of a conflict between the Company Subordinated Lender Obligations and the Company Bank Obligations, the Company Bank Obligations will be superior to the Company Subordinated Lender Obligations. The Company shall in good faith determine the correct Creditor to make deliveries to, comply with instructions from and otherwise satisfy the obligations owing to, based on the provisions of this Section 2.2(j); provided, however, if it is determined that the obligations were satisfied with respect to the wrong Creditor, the Creditors shall make such adjustments as between themselves as to satisfy the purposes of this Agreement. To the extent that it is impossible or impracticable for the Company to satisfy conflicting obligations with respect to the Subordinated Rights and the Bank Rights, or with respect to the Company Subordinated Lender Obligations and the Company Bank Obligations, it shall not be in default under the Creditor Agreements if it satisfies the relevant obligations with respect to only one Creditor otherwise in accordance with this Section 2.2(j).

3. Security.

3.1 Acknowledgment of Lien. Each Creditor hereby agrees and acknowledges that the other Creditor has been or may be granted a Lien or otherwise has or may have rights in or upon all or a portion of the Collateral.

3.2 Priority. Notwithstanding the order or time of attachment, or the order, time or manner of perfection, or the order or time of filing or recordation of any document or instrument, or other method of perfecting a Lien in favor of each Creditor in any Collateral and notwithstanding any conflicting terms or conditions which may be contained in any of the Creditor Agreements, the Liens upon and rights in the Collateral of Bank have and shall have priority over the Liens upon and rights in the Collateral of Subordinated Lender and such Liens and rights of Subordinated Lender are and shall be, in all respects, subject and subordinate to the Liens and rights of Bank therein to the full extent of the Senior Indebtedness outstanding from time to time. Subordinated Lender shall not take any action to foreclose or realize upon any Collateral until such time as the Senior Indebtedness shall have been paid in full in cash and the Loan Agreement irrevocably terminated; provided however, Subordinated Lender may join in

any foreclosure proceeding of the Collateral commenced by the Bank to the extent the joinder in such legal proceeding is necessary to prevent the waiver or lapse of Subordinated Lender's rights with respect to such Collateral, but subject at all times to the Bank's rights hereunder to determine the disposition of such Collateral in accordance with the terms hereof.

3.3 No Alteration of Priority. The lien priorities provided in Section 3.2 hereof shall not be altered or otherwise affected by any amendment, modification, supplement, extension, renewal, restatement or refinancing of any Senior Indebtedness or the Subordinated Indebtedness, nor by any action or inaction which Creditor may take or fail to take in respect of the Collateral.

3.4 Perfection. Each Creditor shall be solely responsible for perfecting and maintaining the perfection of its Lien in and to each item constituting the Collateral in which such Creditor has been granted a Lien or any rights. The foregoing provisions of this Agreement are intended solely to govern the respective lien priorities as between Creditors and shall not impose on Bank any obligations in respect of the disposition of proceeds of foreclosure on any Collateral which would conflict with prior perfected claims therein in favor of any other Person. Subordinated Lender agrees that it will not contest the validity, perfection, priority or enforceability of the Liens of Bank in the Collateral and that as between Bank and such Subordinated Lender, the terms of this Agreement shall govern even if part or all of the Senior Indebtedness or the Liens of Bank securing payment and performance thereof are avoided, disallowed, set aside or otherwise invalidated in any judicial proceeding or otherwise.

3.5 Management of Collateral. Until all amounts owing upon Senior Indebtedness shall have been paid in full in cash and the Loan Agreement terminated, Bank shall have the exclusive right to manage, perform and enforce the terms of the Senior Lending Agreements with respect to the Collateral and to exercise and enforce all privileges and rights thereunder according to its discretion and exercise of its business judgment, including, without limitation, the exclusive right to enforce or settle insurance claims, take or retake control or possession of the Collateral and to hold, prepare for sale, process, sell, lease, dispose of, or liquidate the Collateral, subject to the requirement that the net proceeds of such sale or other disposition are applied to the Senior Indebtedness and/or the Subordinated Indebtedness as required under Section 3.6. In connection therewith, Subordinated Lender waives any and all rights to affect the method or challenge the appropriateness of any action by Bank.

3.6 Sale of Collateral. Notwithstanding anything to the contrary contained in any of the Creditor Agreements until all amounts owing upon Senior Indebtedness shall have been paid in full in cash and the Loan Agreement terminated, only Bank shall have the right to restrict or permit, or approve or disapprove, the sale, transfer or other disposition of Collateral in which Bank has a Lien or any rights. Subordinated Lender will, promptly upon the request of Bank, release or otherwise terminate its Liens on the Collateral upon which it has a Lien, to the extent such Collateral is sold or otherwise disposed of either by Bank, its agents, or Company with the consent of Bank, and the net proceeds of such sale or other disposition are applied to the Senior Indebtedness and/or the Subordinated Indebtedness, and Subordinated Lender will promptly deliver such release documents as Bank may require in connection therewith. Bank shall have the sole discretion as to whether to apply the net proceeds of such sales or other dispositions to the Senior Indebtedness and/or the Subordinated Indebtedness.

In the event that Bank conducts a foreclosure proceeding with respect to any Collateral, Subordinated Lender may bid to purchase such Collateral, but such ability to bid shall not impose any additional obligations on Bank or limit the discretion of Bank with respect to the disposition of the Collateral.

3.7 Secured Lender Remedies. Subject to Section 2.2(b) hereof, in no event shall Subordinated Lender exercise any Secured Lender Remedies until such time as the Senior Indebtedness shall have been paid in full in cash and the Senior Lending Agreements terminated; nor shall Subordinated Lender join in the filing of any petition in bankruptcy, solicit any other person to, or act to cause the commencement of, any case involving Company under any state or federal bankruptcy or insolvency laws or seek the appointment of a receiver for the affairs or property of Company until such time as the Senior Indebtedness shall have been paid in full in cash and the Senior Lending Agreements shall have been irrevocably terminated; provided however, Subordinated Lender may join in any foreclosure proceeding of the Collateral commenced by Bank to the extent the joinder in such legal proceeding is necessary to prevent the waiver or lapse of Subordinated Lender's rights with respect to such Collateral, but subject at all times to Bank's rights hereunder to determine the disposition of such Collateral in accordance with the terms hereof. In the event Subordinated Lender shall receive any payment or distribution of any kind representing proceeds of any Collateral before the Senior Indebtedness shall have been paid in full in cash and the Senior Lending Agreements terminated, such sums shall be held in trust by Subordinated Lender for the benefit and on account of Bank and such amounts shall be paid to Bank for application to the then unpaid obligations under the Senior Lending Agreements.

3.8 Section 9-611 Notice and Waiver of Marshaling. Subordinated Lender and Bank acknowledge that this Agreement shall constitute notice of their respective interests in the Collateral as provided by Section 9-611 of the Pennsylvania Uniform Commercial Code and each hereby waives any right to compel any marshaling of any of the Collateral.

3.9 Perfection of Certificates. The Bank shall hold that portion of the Collateral, if any, on which it has a Lien and as to which perfection of the security interest in the Collateral requires possession (the "Possessed Collateral") on behalf of Subordinated Lender (and subject to the senior lien of Bank) solely for the purpose of perfecting and keeping perfected the security interest granted to Subordinated Lender. In connection therewith, Bank shall take such actions as are reasonably requested by Subordinated Lender to perfect and maintain the priority of the Liens of Subordinated Lender in the Possessed Collateral, provided such requests do not impair the prior Liens of Bank in the Possessed Collateral or violate the requirements of the Senior Lending Agreements. The duties and responsibilities of Bank to the Holders of the Subordinated Indebtedness with respect to the Possessed Collateral shall be limited solely to those set forth in this Section 3.9. In no event shall Bank be liable for its actions with respect to the Possessed Collateral except for gross negligence or willful misconduct. Upon payment in full in cash of the Senior Indebtedness and termination of the Loan Agreement, Bank shall deliver possession of the Possessed Collateral to Subordinated Lender or as otherwise ordered by a court and shall take all actions reasonably necessary and at the expense of Subordinated Lender to transfer the Possessed Collateral to Subordinated Lender.

4. Miscellaneous.

4.1 Provisions of Subordinated Note. From and after the date hereof, Company and the Subordinated Lender shall cause each Subordinated Note to contain a provision to the following effect:

“This Note is subject to the Amended and Restated Subordination and Intercreditor Agreement, dated as of July 31, 2007, among the Maker, the Payee and PNC Bank, National Association, under which this Note and the Maker’s obligations hereunder are subordinated in the manner set forth therein to the prior payment of certain obligations to the holders of Senior Indebtedness as defined therein.”

Proof of compliance with the foregoing shall be promptly given to Bank.

4.2 Additional Agreements. In the event that the Senior Indebtedness is refinanced in full, Subordinated Lender agrees, subject to the last two sentences of the definition of Senior Indebtedness, at the request of such refinancing party to enter into a subordination and intercreditor agreement on terms substantially similar to this Agreement.

4.3 Survival of Rights. The right of Bank to enforce the provisions of this Agreement shall not be prejudiced or impaired by any act or omitted act of Company or Bank including forbearance, waiver, consent, compromise, amendment, extension, renewal, or taking or release of security in respect of any Senior Indebtedness or noncompliance by Company with such provisions, regardless of the actual or imputed knowledge of Bank.

4.4 Bankruptcy Financing Issues. This Agreement shall continue in full force and effect after the filing of any petition (“Petition”) by or against Company under the United States Bankruptcy Code (the “Code”) and all converted or succeeding cases in respect thereof. All references herein to Company shall be deemed to apply to Company as debtor-in-possession and to a trustee for Company. If Company shall become subject to a proceeding under the Code, and if Bank shall desire to permit the use of cash collateral or to provide post-Petition financing from Bank to Company under the Code, Subordinated Lender agrees as follows: (1) adequate notice to Subordinated Lender shall be deemed to have been provided for such consent or post-Petition financing if Subordinated Lender receives notice thereof three (3) Business Days (or such shorter notice as is given to Bank) prior to the earlier of (a) any hearing on a request to approve such post-Petition financing or (b) the date of entry of an order approving same and (2) no objection will be raised by Subordinated Lender to any such use of cash collateral or such post-Petition financing from Bank.

4.5 Insurance Proceeds. Proceeds of the Collateral include insurance proceeds, and therefore, notwithstanding the terms set forth in the Senior Lending Agreements or Subordinated Lender Agreements, the priorities set forth in Section 3.2 govern the ultimate disposition of casualty insurance proceeds. Bank, as the holder of a senior security interest on the Collateral on which it has a Lien, shall have the sole and exclusive right, as against Subordinated Lender, to adjust settlement of insurance claims in the event of any covered loss, theft or destruction of such

Collateral. All proceeds of such insurance shall inure to Bank, to the extent of Bank's claims for Senior Indebtedness, and Subordinated Lender shall cooperate (if necessary) in a reasonable manner in effecting the payment of insurance proceeds to Bank. In the event Bank, in its sole discretion or pursuant to agreement with Company, permits Company to utilize the proceeds of insurance to replace Collateral, the consent of Bank thereto shall be deemed to include the consent of Subordinated Lender.

4.6 Receipt of Agreements. Company hereby acknowledges that it has delivered to Bank a correct and complete copy of the Subordinated Lending Agreements as in effect on the date hereof. Subordinated Lender, solely for the purposes of this Agreement, hereby acknowledges receipt of a correct and complete copy of each of the Senior Lending Agreements as in effect on the date hereof.

4.7 No Amendment of Subordinated Lending Agreements. So long as the Loan Agreement remains in effect, neither Company nor any Holder of Subordinated Indebtedness shall, without the prior written consent of Bank, (i) enter into any amendment to or modification of any Subordinated Lending Agreements which relates to or affects the principal amount, interest rate, or payment terms of Company thereunder (other than any extension of maturity or postponement of payment or accrual and payment of deferred interest on the Subordinated Note), or (ii) enter into any amendment to or modification of any Subordinated Lending Agreements which causes any other material covenant or agreement of Company thereunder to be more restrictive than the terms of the Senior Lending Agreements.

4.8 Amendments to Senior Lending Agreements. Nothing contained in this Agreement, or in any other agreement or instrument binding upon any of the parties hereto, shall in any manner limit or restrict the ability of Bank from increasing or changing the terms of the loans under the Senior Lending Agreements, or to otherwise waive, amend or modify the terms and conditions of the Senior Lending Agreements, in such manner as Bank and Company shall mutually determine. Subordinated Lender hereby consents to any and all such waivers, amendments, modifications and compromises, and any other renewals, extensions, indulgences, releases of collateral or other accommodations granted by Bank to Company from time to time, and agrees that none of such actions shall in any manner affect or impair the subordination established by this Agreement in respect of the Subordinated Indebtedness.

4.9 Notice of Default and Certain Events. Bank and Subordinated Lender shall undertake in good faith to notify the other of the occurrence of any of the following as applicable:

- (a) the obtaining of actual knowledge of the occurrence of any default under the Subordinated Note;
- (b) the acceleration of any Senior Indebtedness by Bank or of any Subordinated Indebtedness by Subordinated Lender;
- (c) the granting by Bank of any waiver of any Event of Default under the Loan Agreement or the granting by Subordinated Lender of any waiver of any "default" or "event of default" under the Subordinated Lending Agreements;

(d) the payment in full by Company (whether as a result of refinancing or otherwise) of all Senior Indebtedness; or

(e) the sale or liquidation of, or realization upon, the Collateral other than collection of Receivables in the ordinary course of business.

The failure of any party to give such notice shall not affect the subordination of the Subordinated Indebtedness or the relative Lien priorities as provided in this Agreement.

4.10 Notices. Any notice or other communication required or permitted pursuant to this Agreement shall be deemed given (a) when personally delivered to any officer of the party to whom it is addressed, (b) on the earlier of actual receipt thereof or three (3) days following posting thereof by certified or registered mail, postage prepaid, (c) upon actual receipt thereof when sent by a recognized overnight delivery service or (d) upon actual receipt thereof when sent by telecopier to the number set forth below with electronic confirmation of receipt, in each case addressed to each party at its address or telecopier number set forth below or at such other address or telecopier number as has been furnished in writing by a party to the other by like notice:

If to Agent: PNC Bank, National Association
1000 Westlakes Drive, Suite 200
Berwyn, Pennsylvania 19312
Attention: John DiNapoli
Telephone: (610) 725-5760
Facsimile: (610) 725-5799

with a copy to: Ballard Spahr Andrews & Ingersoll, LLP
1735 Market Street, 51st Floor
Philadelphia, PA 19103
Attention: Carl H. Fridy, Esquire
Telephone: (215) 864-8726
Facsimile: (215) 864-8999

If to Subordinated Lender: H.F. Lenfest
300 Barr Harbor Drive
Suite 460
West Conshohocken, PA 19428
Telephone: (610) 940-0910
Facsimile: (610) 940-0602

with a copy to: The Lenfest Group
300 Barr Harbor Drive
Suite 460
West Conshohocken, PA 19428
Attention: Thomas K. Pasch, Esquire
Telephone: (610) 940-0910
Facsimile: (610) 940-0602

If to Company:

Environmental Tectonics Corporation
125 James Way
Southampton, PA 18966
Attention: Duane Deaner
Telephone: (215) 355-9100
Facsimile: (215) 357-4000

with a copy to:

Klehr, Harrison, Harvey, Branzburg & Ellers LLP
260 S. Broad Street
Philadelphia, PA 19102
Attention: William Matthews, Esquire
Telephone: (215) 569-4281
Facsimile: (215) 568-6603

4.11 Books and Records. Subordinated Lender shall furnish Bank, upon request from time to time, a statement of the account between Subordinated Lender and Company.

4.12 Binding Effect; Other. This Agreement shall be a continuing agreement, shall be binding upon and shall inure to the benefit of the parties hereto from time to time and their respective successors and assigns, shall be irrevocable and shall remain in full force and effect until the Senior Indebtedness shall have been paid in full in cash and the Loan Agreement shall have been terminated, but shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any amount paid by or on behalf of Company with regard to the Senior Indebtedness is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Company, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee, custodian, or similar officer, for Company or any substantial part of its property, or otherwise, all as though such payments had not been made. No action which Bank or Company may take or refrain from taking with respect to the Senior Indebtedness, including any amendments thereto, shall affect the provisions of this Agreement or the obligations of Subordinated Lender hereunder. Any waiver or amendment hereunder must be evidenced by a signed writing of the party to be bound thereby, and shall only be effective in the specific instance. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania. The headings in this Agreement are for convenience of reference only, and shall not alter or otherwise affect the meaning hereof.

5. Representations and Warranties.

(a) Subordinated Lender represents and warrants to Bank that Subordinated Lender is the holder of the Subordinated Indebtedness and Liens which secure or will secure the Subordinated Indebtedness. Subordinated Lender agrees that it shall not assign or transfer any of the Subordinated Indebtedness or Liens without (i) prior notice being given to Bank and (ii) such assignment or transfer being made expressly subject to the terms of this Agreement. Subordinated Lender agrees upon Bank's request to execute and file an amendment to any financing statement or mortgage, trust deed or other encumbrance now on file which covers Collateral to the effect that the same is subject to the terms of this Agreement, and agrees to so mark any extension of such financing statements, or any financing statement or mortgage, trust

deed or other encumbrance filed by Subordinated Lender on Collateral in the future. Subordinated Lender further warrants to Bank that it has full right, power and authority to enter into this Agreement and, to the extent Subordinated Lender is an agent or trustee for other parties, that this Agreement shall fully bind all such other parties.

(b) Bank represents and warrants to Subordinated Lender that Bank is the holder of the Senior Indebtedness and Liens which secure or will secure the Senior Indebtedness. Bank agrees that it shall not assign or transfer any of the Senior Indebtedness or Liens without (i) prior notice being given to Subordinated Lender and (ii) such assignment or transfer being made expressly subject to the terms and provisions of this Agreement. Bank further warrants to Subordinated Lender that it has full right, power and authority to enter into this Agreement and, to the extent Bank is an agent or trustee for other parties, that this Agreement shall fully bind all such other parties.

6. Proceedings. ANY JUDICIAL PROCEEDING BROUGHT BY OR AGAINST SUBORDINATED LENDER, COMPANY OR BANK WITH RESPECT TO THIS AGREEMENT OR ANY RELATED AGREEMENT MAY BE BROUGHT IN ANY COURT OF COMPETENT JURISDICTION IN THE COMMONWEALTH OF PENNSYLVANIA, UNITED STATES OF AMERICA, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT EACH PARTY THERETO ACCEPTS FOR THEMSELVES AND IN CONNECTION WITH THEIR PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY FINAL JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF ANY PARTY HERETO TO BRING PROCEEDINGS AGAINST ANY OTHER PARTY IN ANY COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY PARTY HERETO AGAINST ANY OTHER PARTY INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER OR CLAIM IN ANY WAY ARISING OUT OF, RELATED TO OR CONNECTED WITH THIS AGREEMENT OR ANY RELATED AGREEMENT, SHALL BE BROUGHT ONLY IN A COURT LOCATED IN THE COUNTY OF PHILADELPHIA, COMMONWEALTH OF PENNSYLVANIA; PROVIDED THAT NOTWITHSTANDING THE FOREGOING, IF IN ANY JUDICIAL PROCEEDING BY OR AGAINST ANY PARTY HERETO THAT IS BROUGHT IN ANY OTHER COURT SUCH COURT DETERMINES THAT ANY PARTY HERETO IS AN INDISPENSABLE PARTY, ANY SUCH PARTY SHALL BE ENTITLED TO JOIN OR INCLUDE ANY OTHER PARTY HERETO IN SUCH PROCEEDINGS IN SUCH OTHER COURT. EACH PARTY HERETO WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED HEREUNDER AND SHALL NOT ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION OR VENUE OR BASED UPON FORUM NON CONVENIENS.

7. Waiver Of Jury Trial. EACH PARTY HERETO HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR (B) IN ANY WAY CONNECTED WITH OR RELATED

OR INCIDENTAL TO THE DEALINGS OF ANY CREDITOR OR COMPANY WITH RESPECT TO THIS AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENTS OR AGREEMENT EXECUTED OR DELIVERED BY THEM IN CONNECTION HERewith, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE AND EACH PARTY HERETO HEREBY AGREES AND CONSENTS THAT ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT JURY, AND THAT ANY OF THEM MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THEIR CONSENT TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

8. Company Acknowledgement. Company agrees that (i) nothing contained in this Agreement shall be deemed to amend, modify, supercede or otherwise alter the terms of the respective agreements between Company and each Creditor and (ii) this Agreement is solely for the benefit of the Creditors and shall not give Company, its successors or assigns or any other person any rights vis-à-vis any Creditor.

9. Counterparts; Facsimile. This Agreement may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

[SIGNATURE PAGES FOLLOW]

**(SIGNATURE PAGE TO RESTATED SUBORDINATION AND
INTERCREDITOR AGREEMENT)**

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as of July 31, 2007.

PNC BANK, NATIONAL ASSOCIATION

By: _____ /s/

Name:

Title:

_____ /s/

H.F. Lenfest

ENVIRONMENTAL TECTONICS CORPORATION

By: _____ /s/

Name:

Title:

ACKNOWLEDGMENT AND AGREEMENT

Each of the undersigned hereby acknowledges the provisions of the foregoing Subordination Agreement (the "Agreement") and confirms and agrees that its obligations under the Subordinated Lending Agreements, including any guaranty in favor of Subordinated Lender (as defined in the Agreement), are subject to the terms and conditions set forth in the Agreement, as amended from time to time.

ENTERTAINMENT TECHNOLOGY CORPORATION

By _____ /s/ _____
Name:
Title:

ETC DELAWARE, INC.

By _____ /s/ _____
Name:
Title:

Restated Guaranty Agreement



THIS RESTATED GUARANTY AGREEMENT (this "**Guaranty**") is made and entered into as of this 31st day of July, 2007, 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. This Guaranty restates and replaces (but does not constitute a novation of) the existing Restated Limited Guaranty Agreement from the Guarantor to the Bank dated as of November 16, 2006.

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 revolving credit facility established under that certain amended and restated Letter Agreement between the Borrower and the Bank dated as of July 31, 2007, (as hereafter amended, modified or supplemented, the "**Credit Agreement**"), the Amended and Restated Reimbursement Agreement for Letters of Credit from the Borrower in favor of the Bank dated as of July 31, 2007 (as hereafter amended, modified or supplemented, the "**Reimbursement Agreement**" and the Note and Letters of Credit (as those terms are defined in the Credit Agreement) heretofore or hereafter issued pursuant thereto, and any amendments, extensions, renewals and increases of or to the foregoing, and all costs and expenses of the Bank incurred in the modification, enforcement, collection and otherwise in connection with the foregoing, including reasonable attorneys' fees and expenses (hereinafter referred to collectively as the "**Obligations**"). If the Borrower defaults under any such Obligations, the Guarantor will pay the amount due to the Bank.

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.

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, semi-annual investment statements for the Guarantor within 60 days following each June 30 and December 31 and tax returns for the Guarantor within 30 days following the filing thereof) 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 any of the Obligations); (ii) any default under any of the Obligations that does not have a defined set of “Events of Default” and the lapse of any notice or cure period provided in such Obligation with respect to such default, (iii) the Guarantor’s failure to perform any of its obligations hereunder; (iv) 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; (v) the termination or attempted termination of this Guaranty; (vi) 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 (vii) 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 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:

_____ /s/ _____
H.F. Lenfest (SEAL)

Print Name: _____

Acknowledged and accepted:

PNC BANK NATIONAL ASSOCIATION

By: _____/s/ _____
Title: _____

Environmental Tectonics Corporation Announces New Bank Line

Southampton, PA, August 1, 2007. Environmental Tectonics Corporation (“ETC” or the “Company”) today announced the signing of a new Credit Agreement with PNC Bank, National Association (“PNC”). This refinancing by ETC is an extension of a credit facility originally entered into with PNC in February 2003.

The Credit Agreement, dated as of July 31, 2007, establishes a revolving line of credit with PNC in the maximum, aggregate principal amount of \$15,000,000 to be used for ETC’s working capital or other general business purposes and for issuances of letters of credit. The Credit Agreement expires June 30, 2009.

Borrowings made pursuant to the Credit Agreement will bear interest at either the prime loan rate less 1.00% or the London Interbank Offered Rate (as described in the Note) plus 0.90%. Under the Credit Agreement, ETC is obligated to pay a fee of 0.125% per annum for unused available funds.

The Credit Agreement contains customary affirmative and negative covenants for transactions of this type, including limitations with respect to indebtedness, liens, investments, distributions, dispositions of assets, change of business and transactions with affiliates. The Credit Agreement also contains financial covenants.

The note provides for customary events of default with corresponding grace periods, including the failure to pay any principal or interest when due, failure to comply with covenants, material misrepresentations, certain bankruptcy, insolvency or receivership events, imposition of certain judgments and the liquidation of ETC.

ETC’s obligations under the Credit Agreement are secured by a personal guarantee from H. F. Lenfest under a Restated Guaranty, dated July 31, 2007, made by Mr. Lenfest in favor of PNC (the “Restated Guaranty”). Mr. Lenfest is a member of ETC’s Board of Directors and a significant shareholder of ETC.

In connection with entering into the Credit Agreement, ETC was required to enter into an Amended and Restated Reimbursement Agreement, dated as of July 31, 2007, by ETC in favor of PNC (the “Reimbursement Agreement”), and an Amended and Restated Subordination and Intercreditor Agreement, dated as of July 31, 2007, by and among ETC, PNC and Mr. Lenfest (the “Subordination Agreement”). The Reimbursement Agreement governs letters of credit issued pursuant to the Credit Agreement. Under the Subordination Agreement, Mr. Lenfest agreed to subordinate his rights in connection with a convertible promissory note executed by ETC in favor of Mr. Lenfest in the original aggregate principal amount of \$10,000,000, dated February 18, 2003, to the rights of PNC in connection with the Line of Credit.

William F. Mitchell, ETC's President and Chairman, stated "I am very glad we have been able to re-establish a normal banking relationship and facility with PNC. Having access to these funds will contribute to ETC's capital requirements as we continue to evolve our business models and products."

ETC designs, develops, installs and maintains aircrew training systems, public entertainment systems, process simulation systems (sterilization and environmental), clinical hyperbaric systems, environmental testing and simulation systems, and related products for domestic and international customers.

This press release may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about the Company that may cause our actual results, levels of activity, performance or achievements to be materially different from any other future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "could", "would", "expect", "plan", "anticipate", "believe", "estimate", "continue", or the negative of such terms or similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, contract cancellations, failure to obtain new contracts, political unrest in customer countries, unfavorable results in litigation, general economic conditions, and those issues identified from time to time in our Securities and Exchange Commission filings and other public documents, including, without limitation, our Annual Report on Form 10-K for the fiscal year ended February 23, 2007.

Contact: Duane D. Deaner, CFO Tel: 215-355-9100 (ext. 1203) Fax: 215-357-4000

ETC – Internet Home Page: <http://www.etcusa.com>