
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
August 23, 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 (*see* General Instruction A.2. below):

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

Item 3.02 Unregistered Sales of Equity Securities.

Item 5.03 Amendments to Articles of Incorporation.

On August 23, 2007, Environmental Tectonics Corporation (“ETC”) entered into the Series C Preferred Stock Purchase Agreement (the “Purchase Agreement”) with H.F. Lenfest (“Lenfest”), pursuant to which, among other things, ETC issued and sold 3,300 shares of its newly-created class of Series C Cumulative Convertible Participating Preferred Stock (the “Series C Preferred Stock”) to Lenfest for \$3,300,000 (the “Acquisition”). A copy of the Purchase Agreement is attached as [Exhibit 10.1](#) to this Current Report on Form 8-K and is incorporated herein by reference.

The Series C Preferred Stock is convertible into shares of ETC’s common stock at a conversion price of \$3.03 per share based on the closing price for ETC’s common stock on August 22, 2007, the trading day immediately prior to the Acquisition. The Series C Preferred Stock issued in the Acquisition is convertible into 1,089,108 shares of ETC common stock.

In connection with the Purchase Agreement, ETC amended its Articles of Incorporation by filing a Statement With Respect to Shares of Series C Cumulative Convertible Participating Preferred Stock (the “Statement With Respect to Shares”) with the Department of State for the Commonwealth of Pennsylvania. The Statement With Respect to Shares contains the following terms:

Security:	Series C Cumulative Participating Convertible Preferred Stock.
Amount:	\$3,300,000.
Liquidation Preference:	Upon liquidation, dissolution or winding up of ETC, the Preferred Stock shall have the right to receive the original investment amount plus accrued dividends. To the extent of any remaining funds or assets, the Series C Preferred Stock will participate on an as-converted basis in additional distributions.
Dividends:	10% per annum; payable on a quarterly basis but deferrable at the option of ETC until the fifth anniversary of the Acquisition.
Conversion Price:	\$3.03 per share, which is equal to the closing price for ETC’s common stock on AMEX on August 22, 2007, the trading day immediately prior to the Acquisition.
	Conversion By Lenfest. Lenfest may convert the Preferred Stock into shares of ETC common stock beginning on the date of Acquisition.
	Automatic Conversion. The Preferred Stock will automatically convert into shares of ETC’s common stock on the fifth anniversary of the Acquisition.
Voting Rights:	The Preferred Stock will vote with ETC’s common stock on an as converted basis.

A copy of the Statement With Respect to Shares is attached as Exhibit 3(i).1 to this Current Report on Form 8-K and is incorporated herein by reference.

ETC granted Lenfest certain demand and “piggy back” registration rights pursuant to a Registration Rights Agreement with respect to the shares of common stock issuable upon conversion of the Series C Preferred Stock. A copy of the Registration Rights Agreement is attached as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference.

In connection with Lenfest’s investment in the Series C Preferred Stock, ETC agreed to amend the terms of ETC’s Series B Cumulative Convertible Preferred Stock (the “Series B Preferred Stock”) to (i) increase the annual dividend rate to 10%, (ii) provide for immediate conversion at the option of Lenfest, and (iii) to remove ETC’s right to redeem the Series B Preferred Stock. ETC also agreed to discuss with AMEX the inclusion of weighted-average anti-dilution protection for the Series B Preferred Stock and Series C Preferred Stock, and, if AMEX permits inclusion of such anti-dilution protection for the Series B Preferred Stock and the Series C Preferred Stock, to amend the terms of the Series B Preferred Stock and Series C Preferred Stock accordingly. A copy of the letter agreement between ETC and Lenfest is attached as Exhibit 10.3 to this Current Report on Form 8-K and is incorporated by reference.

Lenfest is a member of ETC’s Board of Directors and a significant shareholder of ETC. As Lenfest is a related party as defined by Regulation S-K, ETC’s Audit Committee, comprised of Howard Kelley, Alan Mark Gemmill and Dr. George Anderson, each of whom is an independent director as defined by the AMEX rules and applicable securities laws, approved the terms and conditions of the Purchase Agreement and the transactions contemplated thereby.

ETC is relying on the exemption to the registration requirements of the Securities Act of 1933, as amended (the “Act”), set forth in Section 4(2) of the Act and Regulation D promulgated thereunder with respect to the issuance and sale of the Preferred Stock pursuant to the Purchase Agreement and the issuance of the common stock upon the conversion of the Preferred Stock.

ETC issued a press release on August 28, 2007 announcing the execution of the Purchase Agreement and the sale of the Preferred Stock. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

- 3(i).1 Statement With Respect to Shares of Series C Cumulative Convertible Participating Preferred Stock
- 10.1 Series C Preferred Stock Purchase Agreement, dated as of August 23, 2007, between ETC and H. F. Lenfest
- 10.2 Registration Rights Agreement, dated as of August 23, 2007, by and between ETC and H. F. Lenfest
- 10.3 Letter Agreement, dated as of August 23, 2007, by and between ETC and H. F. Lenfest
- 99.1 Press Release, dated August 28, 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: August 29, 2007

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

Exhibit Index

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- 10.2 Registration Rights Agreement, dated as of August 23, 2007, by and between ETC and H. F. Lenfest
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- 99.1 Press Release, dated August 28, 2007

Statement With Respect to Shares
of
Series C Cumulative Convertible Participating Preferred Stock
of
Environmental Tectonics Corporation
Pursuant to Section 1522(b) of the
Business Corporation Law of the Commonwealth of Pennsylvania

In compliance with the requirements of 15 Pa.C.S. § 1522(b) (relating to statements with respect to shares), Environmental Tectonics Corporation, a Pennsylvania corporation (the “**Corporation**”), desiring to state the designation and voting rights, preferences, limitations, and special rights, if any, of a class or series of its shares, hereby states that:

FIRST: The name of the Corporation is Environmental Tectonics Corporation.

SECOND: The resolution amending the Articles of Incorporation of the Corporation under 15 Pa. C.S. § 1522(b) (relating to divisions and determinations by the board), set forth in full, is as follows:

WHEREAS, the Articles of Incorporation of the Corporation authorizes Preferred Stock consisting of 1,000,000 shares issuable from time to time in one or more series; and

WHEREAS, the Board of Directors of the Corporation (or an authorized committee thereof) is authorized, subject to limitations prescribed by law and by the Articles of Incorporation to establish and fix the number of shares to be included in any series of Preferred Stock and the par value, designation, rights, preferences and limitations of the shares of such series; and

WHEREAS, the Board of Directors intends to establish a new series of Preferred Stock, called Series C Cumulative Convertible Preferred Stock.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to Article 6 of the Corporation’s Articles of Incorporation, the designation, rights, preferences, powers, restrictions and limitations applicable to the Series C Preferred Stock be and hereby are set forth below:

1. Designation. The designation of this series, which consists of 3,300 shares of Preferred Stock, \$0.05 par value per share, is the Series C Cumulative Convertible Participating Preferred Stock (the “**Series C Preferred Stock**”) and the stated value shall be One Thousand U.S. Dollars (\$1,000.00) per share (the “**Stated Value**”).

2. Certain Definitions. For purposes of this Statement With Respect to Shares, the following terms shall have the following meanings:

“**Common Stock**” means the common stock of the Corporation, \$0.05 par value per share.

“**Common Stock Deemed Outstanding**” means, at any given time, the number of shares of Common Stock actually outstanding at such time, excluding any shares of Common Stock owned or held by or for the account of the Company.

“**Conversion Date**” means, for any Optional Conversion (as defined below), the date specified in the notice of conversion in the form attached hereto (the “**Notice of Conversion**”), so long as a copy of the Notice of Conversion is faxed (or delivered by other means resulting in notice) to the Corporation before 4:59 p.m., Philadelphia, Pennsylvania time, on the Conversion Date indicated in the Notice of Conversion; *provided, however*, that if the Notice of Conversion is not so faxed or otherwise delivered before such time, then the Conversion Date shall be the date the Holder faxes or otherwise delivers the Notice of Conversion to the Corporation.

“**Conversion Price**” means, with respect to each share of Series C Preferred Stock, the Market Price, provided that such Conversion Price shall be subject to adjustment as provided herein.

“**Market Price**” means the closing price for the shares of Common Stock as reported on the American Stock Exchange (“**AMEX**”) by Bloomberg Financial Markets (“**Bloomberg**”) on the trading day immediately preceding the Closing Date (as defined in the Series C Preferred Stock Purchase Agreement between the Corporation and H.F. Lenfest).

3. Dividends.

(a) Accruing Dividends. From and after the date hereof (the “**Issue Date**”), the holder of such shares of Series C Preferred Stock (each a “**Holder**” and collectively, the “**Holders**”) shall be entitled to receive, out of funds legally available therefor, cumulative dividends at a rate of ten percent (10%) per annum of the Stated Value on each share of Series C Preferred Stock (the “**Accruing Dividends**”) in preference to the holders of Common Stock or any other series of Preferred Stock issued by the Company after the date hereof and *pari passu* to the holders of the Series B Preferred Stock of the Company (the “**Series B Preferred Stock**”). The Accruing Dividends shall accrue on each issued and outstanding share of Series C Preferred Stock from the Closing Date, from day to day, whether or not earned or declared, and shall be cumulative. The Corporation shall pay the Holder the Accruing Dividends quarterly to the extent that the Corporation has funds legally available therefor; provided, however, that the Corporation may, at its option, defer the payment of Accruing Dividends until a subsequent date, up to and including August 23, 2012.

(b) The Holders shall be entitled to receive, if and when declared by the Board of Directors and paid by the Corporation, any dividends paid with respect to the Common Stock (other than any dividends paid in additional shares of Common Stock). In the case of any such dividend, each Holder shall be entitled to receive an amount per share of Series C Preferred Stock held by such Holder as of the record date for such dividend equal to the product of: (i) the amount of the dividend payable with respect to one share of Common Stock and (ii) the number

of shares of Common Stock that would be issued to a Holder if one share of Series C Preferred Stock were converted by the Holder on the record date.

4. Conversion.

(a) Conversion at the Option of the Holder. Subject to the limitations on conversions contained in Section 4(c), each Holder may, at any time and from time to time, convert (an "**Optional Conversion**") each of its shares of Series C Preferred Stock into a number of fully paid and nonassessable shares of the Common Stock determined by dividing the Stated Value by the Conversion Price for such shares of Series C Preferred Stock.

(b) Mechanics of Conversion. In order to effect an Optional Conversion, a Holder shall: (x) fax (or otherwise deliver) a copy of the fully executed Notice of Conversion to the Corporation or the transfer agent for the Common Stock and (y) surrender or cause to be surrendered the original certificates representing the Series C Preferred Stock being converted (the "**Preferred Stock Certificates**"), duly endorsed, along with a copy of the Notice of Conversion as soon as practicable thereafter to the Corporation or the transfer agent. Upon receipt by the Corporation of a facsimile copy of a Notice of Conversion from a Holder, the Corporation shall promptly send, via facsimile, a confirmation to such Holder stating that the Notice of Conversion has been received, the date upon which the Corporation expects to deliver the Common Stock issuable upon such conversion and the name and telephone number of a contact person at the Corporation regarding the conversion. The Corporation shall not be obligated to issue shares of Common Stock upon a conversion unless either the Preferred Stock Certificates are delivered to the Corporation or the transfer agent as provided above, or the Holder notifies the Corporation or the transfer agent that such Preferred Stock Certificates have been lost, stolen or destroyed and delivers the documentation to the Corporation required by Section 11(b) hereof.

(i) Delivery of Common Stock Upon Conversion. Upon the surrender of Preferred Stock Certificates accompanied by a Notice of Conversion, the Corporation shall, no later than the later of (a) the third business day following the Conversion Date and (b) the second business day following the date of such surrender (or, in the case of lost, stolen or destroyed certificates, after provision of indemnity pursuant to Section 11(b)) (the "**Delivery Period**"), issue and deliver to the Holder or its nominee (x) that number of shares of Common Stock issuable upon conversion of such shares of Series C Preferred Stock being converted and (y) a certificate representing the number of shares of Series C Preferred Stock not being converted, if any. In addition, the Corporation shall also pay the Holder at such time any accrued and unpaid Accruing Dividends on the shares of Series C Preferred Stock that are being converted. If the Corporation's transfer agent is participating in the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer program, and so long as the certificates therefor do not bear a legend and the Holder thereof is not then required to return such certificate for the placement of a legend thereon, the Corporation shall cause its transfer agent to electronically transmit the Common Stock issuable upon conversion to the Holder by crediting the account of the Holder or its nominee with DTC through its Deposit Withdrawal Agent Commission system ("**DTC Transfer**"). If the aforementioned conditions to a DTC Transfer are not satisfied, the Corporation shall deliver to the Holder physical certificates representing the Common Stock issuable upon conversion. Further, a Holder may instruct the Corporation to deliver to the

Holder physical certificates representing the Common Stock issuable upon conversion in lieu of delivering such shares by way of DTC Transfer.

(ii) No Fractional Shares. If any conversion of Series C Preferred Stock would result in the issuance of a fractional share of Common Stock, such fractional share shall be disregarded, and the number of shares of Common Stock issuable upon conversion of the Series C Preferred Stock shall be rounded off to the nearest whole number of shares.

(iii) Conversion Disputes. In the case of any dispute with respect to a conversion, the Corporation shall promptly issue such number of shares of Common Stock as are not disputed in accordance with subparagraph (i) above. If such dispute involves the calculation of the Conversion Price, the Corporation shall submit the disputed calculations to an independent outside accountant within two (2) business days of receipt of the Notice of Conversion. The accountant, at the Corporation's expense, shall review the calculations and notify the Corporation and the Holder of the results. The accountant's calculation shall be deemed conclusive, absent manifest error. The Corporation shall then issue the appropriate number of shares of Common Stock in accordance with subparagraph (i) above no later than two (2) business days from the date it receives the determination from the independent outside accountant.

(c) Limitations on Conversions. The conversion of shares of Series C Preferred Stock shall be subject to the following limitation: If the Corporation is prohibited under the rules and regulations of the AMEX, or the rules or regulations of any other securities exchange on which the Common Stock is then listed or traded, from issuing a number of shares of Common Stock upon conversion of Series C Preferred Stock in excess of a prescribed amount (the "**Cap Amount**"), then the Corporation shall not issue shares of Common Stock upon conversion of Series C Preferred Stock in excess of the Cap Amount and such shares of Series C Preferred Stock that are not converted on account of the restriction in this Section 4(c) shall remain issued and outstanding with all of the rights and preferences set forth in this Statement With Respect to Shares until such time as shares of Series C Preferred Stock are converted into Common Stock in accordance with the terms hereof.

(d) Required Conversion at Maturity. Subject to the limitations set forth in Section 4(c), each share of Series C Preferred Stock issued and outstanding on August 23, 2012 automatically shall be converted into shares of Common Stock on such date in accordance with the conversion formulas set forth in Section 4(a) (the "**Required Conversion at Maturity**"). If the Required Conversion at Maturity occurs, the Corporation and the holders of Series C Preferred Stock shall follow the applicable conversion procedures set forth in Section 4(b); provided, however, that the holders of Series C Preferred Stock are not required to deliver a Notice of Conversion to the Corporation or its transfer agent. The Corporation shall pay the Holder at the time of the Required Conversion at Maturity any accrued and unpaid Accruing Dividends on the shares of Series C Preferred Stock that are being converted.

5. Rank. The Series C Preferred Stock shall rank (i) prior to the Common Stock; (ii) prior to any class or series of capital stock of the Corporation hereafter created that does not, by its terms, rank senior to or *pari passu* with the Series C Preferred Stock (collectively with the Common Stock, "**Junior Securities**"); (iii) *pari passu* with the Series B Preferred Stock and any class or series of capital stock of the Corporation hereafter created that, by its terms, ranks on

parity with the Series C Preferred Stock (the “**Pari Passu Securities**”); and (iv) junior to any class or series of capital stock of the Corporation hereafter created that, by its terms, ranks senior to the Series C Preferred Stock (collectively, the “**Senior Securities**”), in each case as to distribution of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary.

6. Liquidation Preference.

(a) If the Corporation shall commence a voluntary case under the U.S. Federal bankruptcy laws or any other applicable bankruptcy, insolvency or similar law, or consent to the entry of an order for relief in an involuntary case under any law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or make an assignment for the benefit of its creditors, or admit in writing its inability to pay its debts generally as they become due, or if a decree or order for relief in respect of the Corporation shall be entered by a court having jurisdiction in the premises in an involuntary case under the U.S. Federal bankruptcy laws or any other applicable bankruptcy, insolvency or similar law resulting in the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Corporation or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and any such decree or order shall be unstayed and in effect for a period of ninety (90) consecutive days and, on account of any such event, the Corporation shall liquidate, dissolve or wind up, or if the Corporation shall otherwise liquidate, dissolve or wind up (a “**Liquidation Event**”), no distribution shall be made to the holders of any shares of Junior Securities upon liquidation, dissolution or winding up of the Corporation unless prior thereto the Holders shall have received the Liquidation Preference (as defined below) with respect to each share of Series C Preferred Stock then outstanding. Any acquisition of the Corporation by means of a merger or other form of corporate reorganization in which all outstanding shares of Common Stock are exchanged for securities or other consideration issued by the acquiring corporation or its subsidiary or the effectuation by the Corporation or its shareholders of a transaction or series of related transactions in which more than 50% of the voting power is disposed of, shall be deemed a Liquidation Event. In such event, the Holders will be entitled to receive in preference to the holders of Junior Securities, the Liquidation Preference with respect to shares of Series C Preferred Stock in the form of cash, securities or other property as is payable in connection with the transaction deemed to be a Liquidation Event. In the event that the Corporation sells, conveys or disposes of all or substantially all of its assets, the Holders will be entitled to receive, prior to the holders of the Junior Securities, if and when the Board of Directors declares a distribution of the consideration received by the Corporation in such asset sale, the Liquidation Preference with respect to the shares of Series C Preferred Stock. If, upon the occurrence of a Liquidation Event, the assets and funds available for distribution among the Holders and holders of Pari Passu Securities shall be insufficient to permit the payment to such holders of the preferential amounts payable thereon, then the entire assets and funds of the Corporation legally available for distribution to the Series C Preferred Stock and the Pari Passu Securities, if any, shall be distributed ratably among such shares in proportion to the ratio that the Liquidation Preference payable on each such share bears to the aggregate Liquidation Preference payable on all such shares. Following payments of preferences to all holders of preferred stock of the Corporation, all remaining assets and funds of the Corporation legally available for distribution shall be distributed ratably to the holders Common Stock, Series C Preferred Stock (on an as-if

converted to Common Stock basis) and any other capital stock of the Corporation entitled to share in such distribution.

(b) The “**Liquidation Preference**” with respect to a share of Series C Preferred Stock means an amount equal to the Stated Value thereof plus any accrued and unpaid dividends thereon, including the Accruing Dividends. The Liquidation Preference with respect to any Pari Passu Securities shall be as set forth in the Statement With Respect to Shares filed in respect thereof.

7. Adjustments to the Conversion Price. The Conversion Price shall be subject to adjustment from time to time as follows:

(a) Stock Splits, Stock Dividends, Etc. If, at any time on or after the date hereof, the number of outstanding shares of Common Stock is increased by a stock split, stock dividend, combination, reclassification or other similar event, the Conversion Price for each share of Series C Preferred Stock shall be proportionately reduced, or if the number of outstanding shares of Common Stock is decreased by a reverse stock split, combination or reclassification of shares, or other similar event, the Conversion Price for each share of Series C Preferred Stock shall be proportionately increased.

(b) Adjustment Due to Merger, Consolidation, Etc. If, at any time after the date hereof, there shall be (i) any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation or merger of the Corporation with any other entity (other than a merger in which the Corporation is the surviving or continuing entity and its capital stock is unchanged), (iii) any sale or transfer of all or substantially all of the assets of the Corporation or (iv) any share exchange pursuant to which all of the outstanding shares of Common Stock are converted into other securities or property (each of (i) — (iv) above being a “**Corporate Change**”), and, if such Corporate Change is not a Liquidation Event pursuant to the terms of Section 6(a), then the Holders shall thereafter have the right to receive upon conversion, in lieu of the shares of Common Stock otherwise issuable, such shares of stock, securities and/or other property as would have been issued or payable in such Corporate Change with respect to or in exchange for the number of shares of Common Stock which would have been issuable upon conversion had such Corporate Change not taken place, and in any such case, appropriate provisions (in form and substance reasonably satisfactory to the Holders of a majority of the Series C Preferred Stock then outstanding) shall be made with respect to the rights and interests of the Holders to the end that the economic value of the shares of Series C Preferred Stock are in no way diminished by such Corporate Change and that the provisions hereof (including, without limitation, in the case of any such consolidation, merger or sale in which the successor entity or purchasing entity is not the Corporation, an immediate adjustment of the Conversion Price for each share of Series C Preferred Stock so that the Conversion Price immediately after the Corporate Change reflects the same relative value as compared to the value of the surviving entity’s common stock that existed between the Conversion Price and the value of the Common Stock immediately prior to such Corporate Change).

(c) Notice of Adjustments. Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 7, the Corporation shall promptly compute such adjustment or readjustment and prepare and furnish to each Holder a certificate setting forth such adjustment or readjustment and showing in detail the facts upon which such adjustment or readjustment is based.

8. Voting Rights. The Holders shall be entitled to vote with the holders of Common Stock, voting together as one class, on all matters submitted to a vote of the holders of Common Stock, and each share of Series C Preferred Stock shall be entitled to a number of votes equal to the number of shares of Common Stock into which each such share is convertible as of the record date for the applicable vote. To the extent that under the Pennsylvania Business Corporation Law the vote of the Holders, voting separately as a class or series, as applicable, is required to authorize a given action of the Corporation, the affirmative vote or consent of the Holders of at least a majority of the then outstanding shares of the Series C Preferred Stock represented at a duly held meeting at which a quorum is present or by written consent of the Holders of at least a majority of the then outstanding shares of Series C Preferred Stock shall constitute the approval of such action by the class.

9. Protective Provisions. So long as any shares of Series C Preferred Stock are outstanding, the Corporation shall not, without first obtaining the approval (by vote or written consent) of the Holders of a majority of the then outstanding shares of Series C Preferred Stock (i) amend the rights, preferences or privileges of the Series C Preferred Stock set forth in this Statement With Respect to Shares; (ii) create any new class or series of capital stock having a preference over the Series C Preferred Stock or ranking *pari passu* with the Series C Preferred Stock as to dividends, distribution of assets upon liquidation, dissolution or winding up of the Corporation, redemption, voting or otherwise (as previously defined in Section 5 hereof, "**Senior Securities**"); (iii) redeem, or declare or pay any dividend or other distribution on account of, any shares of Common Stock or Junior Securities (other than pursuant to the terms of any stock option plan for directors, officers, employees, advisors or constituents approved by the Board of Directors); (iv) amend, alter or repeal any provision of the Articles of Incorporation or Bylaws of the Corporation in a manner adverse to the Holder(s); (v) affect any transaction that would be deemed a Liquidation Event (as defined in Section 6(a)) or Corporate Change (as defined in Section 7(b) hereof); (vi) authorize or enter into any transaction or series of related transactions in which the holder or holders of capital stock of the Corporation immediately prior to such transaction or series of transactions will hold, immediately after such transaction or series of transactions, less than a majority of the aggregate voting power of the outstanding capital stock of the surviving entity; or (vii) increase or decrease the authorized number of directors constituting the Board of Directors. Notwithstanding the foregoing, no consent or approval of the Holders will be required for, and the Board of Directors is expressly authorized to provide for, the issuance of shares of Preferred Stock other than the Series C Preferred Stock in series and, by filing a certificate pursuant to the applicable law of the Commonwealth of Pennsylvania, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and any qualifications, limitations or restrictions thereon, which such series may, without the consent of the Holders, be Junior Securities or *Pari Passu* Securities.

10. Miscellaneous.

(a) Cancellation of Series C Preferred Stock. If any shares of Series C Preferred Stock are converted pursuant to Section 4, the shares so converted shall be canceled, shall return to the status of authorized, but unissued Preferred Stock of no designated series, and shall not be issuable by the Corporation as Series C Preferred Stock.

(b) Lost or Stolen Certificates. Upon receipt by the Corporation of (i) evidence of the loss, theft, destruction or mutilation of any Preferred Stock Certificate(s) and (ii) (y) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to the Corporation, or (z) in the case of mutilation, upon surrender and cancellation of the Preferred Stock Certificate(s), the Corporation shall execute and deliver new Preferred Stock Certificate(s) of like tenor and date. However, the Corporation shall not be obligated to reissue such lost or stolen Preferred Stock Certificate(s) if the Holder contemporaneously requests the Corporation to convert such Series C Preferred Stock.

(c) Status as Stockholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby (other than the shares, if any, which cannot be issued because their issuance would exceed such Holder's allocated portion of the Cap Amount) and any accrued and unpaid Accruing Dividends thereon shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a holder of such converted shares of Series C Preferred Stock shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Statement With Respect to Shares.

THIRD: With respect to the Series C Preferred Stock, the aggregate number of shares of such class or series established and designated by (a) such resolutions, (b) all prior statements, if any, filed under 15 Pa. C.S. § 1522 or corresponding provisions of prior law with respect thereto, and (c) any other provision of the Articles of Incorporation is 3,300 shares.

FOURTH: The resolution was adopted by the Audit Committee of the Board of Directors upon delegation of authority from the Board of Directors effective as of August 23, 2007.

FIFTH: The resolution shall be effective upon the filing of this Statement With Respect to Shares in the Department of State.

* * * * *

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has caused this Statement With Respect to Shares to be signed by a duly authorized officer this 23rd day of August, 2007.

ENVIRONMENTAL TECTONICS CORPORATION,
a Pennsylvania corporation

By:

Duane Deaner
Chief Financial Officer

NOTICE OF CONVERSION

(To be Executed by the Registered Holder
in order to Convert the Series C Preferred Stock)

The undersigned hereby irrevocably elects to convert _____ shares of Series C Preferred Stock, represented by stock certificate No(s). _____ (the "**Preferred Stock Certificates**"), into shares of common stock ("**Common Stock**") of Environmental Tectonics Corporation (the "**Corporation**") according to the conditions of the Statement With Respect to Shares of Series C Cumulative Convertible Participating Preferred Stock, as of the date written below. If securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. No fee will be charged to the holder for any conversion, except for transfer taxes, if any. A copy of each Preferred Stock Certificate is attached hereto (or evidence of loss, theft or destruction thereof).

[The Corporation shall electronically transmit the Common Stock issuable pursuant to this Notice of Conversion to the account of the undersigned or its nominee (which is _____) with DTC through its Deposit Withdrawal Agent Commission System ("**DTC Transfer**").]

The undersigned acknowledges that all offers and sales by the undersigned of the securities issuable to the undersigned upon conversion of the Series C Preferred Stock may only be made pursuant to registration of the Common Stock under the Securities Act of 1933, as amended (the "**Act**"), or pursuant to an exemption from registration under the Act.

[In lieu of receiving the shares of Common Stock issuable pursuant to this Notice of Conversion by way of DTC Transfer, the undersigned hereby requests that the Corporation issue and deliver to the undersigned physical certificates representing such shares of Common Stock.]

Date of Conversion: _____

Conversion Price: _____

Number of Shares of Common
Stock to be Issued: _____

[Holder]

By: _____

Name:

Title:

Address: _____

SERIES C PREFERRED STOCK PURCHASE AGREEMENT

Dated as of August 23, 2007

Between

ENVIRONMENTAL TECTONICS CORPORATION

and

H.F. LENFEST

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EXHIBITS

EXHIBIT A — REGISTRATION RIGHTS AGREEMENT
EXHIBIT B — STATEMENT WITH RESPECT TO SHARES

(iii)

THIS SERIES C PREFERRED STOCK PURCHASE AGREEMENT (this "Agreement"), is entered into as of the 23rd day of August, 2007, by and between Environmental Tectonics Corporation, a Pennsylvania corporation (the "Company"), and H.F. Lenfest, a Pennsylvania resident (the "Buyer").

RECITALS

WHEREAS, the parties desire that, upon the terms and subject to the conditions contained herein, the Company may issue and sell to the Buyer and the Buyer shall purchase from the Company Three Million Three Hundred Thousand Dollars (U.S.) (\$3,300,000) of the Company's Series C Preferred Stock (as defined below) from time to time as provided herein; and

WHEREAS, such investment will be made in reliance upon the provisions of Section 4(2) ("Section 4(2)") and Regulation D ("Regulation D") as promulgated by the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), and/or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to the investment to be made hereunder.

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE 1 CERTAIN DEFINITIONS

- Section 1.1 "*Agreement*" shall have the meaning set forth in the preamble of this Agreement.
- Section 1.2 "*Articles of Incorporation*" shall have the meaning set forth in Section 4.3.
- Section 1.3 "*Buyer*" shall have the meaning set forth in the preamble of this Agreement.
- Section 1.4 "*Bylaws*" shall have the meaning set forth in Section 4.3.
- Section 1.5 "*Closing*" shall have the meaning set forth in Section 2.2(a).
- Section 1.6 "*Closing Date*" shall mean the date on which the Closing occurs.
- Section 1.7 "*Common Stock*" shall mean the Company's common stock, \$0.05 par value per share.
- Section 1.8 "*Company*" shall have the meaning set forth in the preamble of this Agreement.
- Section 1.9 "*Company Permits*" shall have the meaning set forth in Section 4.19.
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- Section 1.10 “*Control Person*” shall have the meaning set forth in Article VIII.
- Section 1.11 “*Conversion Price*” shall equal the closing price for the Company’s Common Stock as reported on the American Stock Exchange by Bloomberg Financial Markets for the trading date immediately preceding the Closing Date.
- Section 1.12 “*Damages*” shall mean any loss, claim, damage, liability, costs and expenses (including, without limitation, reasonable attorneys’ fees and disbursements and costs and expenses of expert witnesses and investigation).
- Section 1.13 “*Environmental Laws*” shall have the meaning set forth in Section 4.20(a).
- Section 1.14 “*Event of Default*” shall have the meaning set forth in Section 7.2.
- Section 1.15 “*Exchange Act*” shall mean the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder.
- Section 1.16 “*Hazardous Materials*” shall have the meaning set forth in Section 4.20.
- Section 1.17 “*Intellectual Property*” shall have the meaning set forth in Section 4.9.
- Section 1.18 “*Investment Amount*” shall mean Three Million Three Hundred Thousand Dollars (\$3,300,000).
- Section 1.19 “*Material Adverse Effect*” shall mean any material adverse effect on (i) the Securities, (ii) the assets, liabilities, business, properties, operations, financial condition or results of operations of the Company and its Subsidiaries, if any, taken as a whole, (iii) the transactions contemplated hereby or by the agreements or instruments to be entered into in connection herewith or (iv) the authority or the ability of the Company to perform its obligations under the Transaction Documents (as defined below).
- Section 1.20 “*NASD*” shall mean the National Association of Securities Dealers, Inc.
- Section 1.21 “*Person*” shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.
- Section 1.22 “*Principal Market*” shall mean the Nasdaq National Market, the Nasdaq SmallCap Market, the American Stock Exchange or the New York Stock Exchange, whichever is at the time the principal trading exchange or market for the Common Stock.

- Section 1.23 “*Registration Rights Agreement*” shall mean the agreement regarding the filing of the registration statement(s) for the resale of the shares of Common Stock issuable upon conversion of the Series C Preferred Stock, entered into between the Company and the Buyer as of the Closing Date and in the form attached hereto as Exhibit A.
- Section 1.24 “*Regulation D*” shall have the meaning set forth in the recitals of this Agreement.
- Section 1.25 “*Rule 144*” shall mean Rule 144 promulgated under the Securities Act (or a successor rule).
- Section 1.26 “*SEC*” shall mean the United States Securities and Exchange Commission.
- Section 1.27 “*SEC Documents*” shall have the meaning set forth in Section 4.6.
- Section 1.28 “*Section 4(2)*” shall have the meaning set forth in the recitals of this Agreement.
- Section 1.29 “*Securities*” shall mean collectively the Series C Shares and the shares of Common Stock issuable upon conversion of the Series C Shares.
- Section 1.30 “*Securities Act*” shall have the definition ascribed to it in the recitals of this Agreement.
- Section 1.31 “*Series C Preferred Stock*” shall mean the Company’s Series C Cumulative Convertible Participating Preferred Stock, \$0.05 par value per share.
- Section 1.32 “*Series C Shares*” shall have the meaning set forth in Section 2.1.
- Section 1.33 “*Statement With Respect to Shares*” shall mean the Statement With Respect to Shares defining the rights and preferences of the Series C Shares, approved by the Company’s Board of Directors and filed with the Secretary of State for the Commonwealth of Pennsylvania, in the form attached hereto as Exhibit B.
- Section 1.34 “*Subsidiaries*” shall mean any corporation or other organization, whether incorporated or unincorporated, in which the Company owns, directly or indirectly, any equity or other ownership interest and which would be a “Significant Subsidiary” of the Company as defined under Rule 1-02(w) of Regulation S-X promulgated under the Securities Act.
- Section 1.35 “*Transaction Documents*” shall mean this Agreement, the Registration Rights Agreement and the Statement With Respect to Shares.

ARTICLE 2
PURCHASE AND SALE OF SERIES C PREFERRED STOCK

Section 2.1 Purchase and Sale of Preferred Stock. At the Closing, the Company shall issue and sell to the Buyer, and the Buyer shall purchase from the Company 3,300 shares of the Series C Preferred Stock (the "Series C Shares") for the Investment Amount. The aggregate number of shares of Common Stock into which the Series C Shares shall be convertible shall be determined by dividing the Investment Amount by the Conversion Price for such Series C Shares.

Section 2.2 Closing.

(a) Closing Mechanics. The closing of this Agreement (the "Closing") shall be deemed to occur when this Agreement and the Registration Rights Agreement have been executed by both the Buyer and the Company, and the other conditions set forth in Section 2.2(b) below have been met. At the Closing, the Company will deliver to the Buyer a certificate representing the Series C Shares that the Buyer has purchased hereunder against delivery to the Company by the Buyer of the Investment Amount, paid by (i) a check payable to the Company's order, (ii) wire transfer of funds to the Company, or (iii) any combination of the foregoing.

(b) Conditions to the Buyer's Obligations. As a prerequisite to the Closing and the Buyer's obligations hereunder, all of the following conditions shall have been satisfied prior to or concurrently with the Company's execution and delivery of this Agreement:

- (i) the following documents shall have been delivered to the Buyer: (A) the Registration Rights Agreement (executed by the Company) (B) a Secretary's certificate as to (I) the resolutions of the Audit Committee of the Company's Board of Directors authorizing this transaction, (II) the Company's Articles of Incorporation, and (III) the Company's Bylaws; and (C) an Officer's Certificate in form and substance to be agreed upon by the parties;
- (ii) the Statement With Respect to Shares shall have been filed with the Secretary of State of the Commonwealth of Pennsylvania and shall be in full force and effect;
- (iii) the Company's Common Stock shall be listed for trading and actually trading on the American Stock Exchange or a Principal Market;
- (iv) since the date of filing of the Company's most recent SEC Document, other than as disclosed to Buyer, no event that had or is reasonably likely to have a Material Adverse Effect shall have occurred; and
- (v) the representations and warranties of the Company in this Agreement shall be true and correct in all material respects.

ARTICLE 3
BUYER'S REPRESENTATIONS AND WARRANTIES

The Buyer represents and warrants to the Company that:

Section 3.1 Investment Purpose. As of the date hereof, the Buyer is purchasing the Securities for his own account and not with a present view towards the public sale or distribution thereof, except pursuant to sales registered or exempted from registration under the Securities Act; provided, however, that by making the representations herein, the Buyer does not agree to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the Securities Act.

Section 3.2 Accredited Buyer Status. The Buyer is an "accredited investor" as that term is defined in Rule 501(a) of Regulation D (an "Accredited Buyer").

Section 3.3 Reliance on Exemptions. The Buyer understands that the Securities are being offered and sold to the Buyer in reliance upon specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying upon the truth and accuracy of, and the Buyer's compliance with, the representations, warranties, agreements, acknowledgments and understandings of the Buyer set forth herein in order to determine the availability of such exemptions and the eligibility of the Buyer to acquire the Securities.

Section 3.4 Information. The Buyer has been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by the Buyer or his advisors. The Buyer and his advisors, if any, have been afforded the opportunity to ask questions of the Company. Neither such inquiries nor any other due diligence investigation conducted by the Buyer or any of his advisors or representatives shall modify, amend or affect the Buyer's right to rely on the Company's representations and warranties contained in Section 4 below. The Buyer understands that his investment in the Securities involves a significant degree of risk.

Section 3.5 Governmental Review. The Buyer understands that no United States federal or state agency or any other government or governmental agency has passed upon or made any recommendation or endorsement of the Securities.

Section 3.6 Transfer or Resale. The Buyer understands that (i) except as provided in the Registration Rights Agreement, the sale or resale of the Securities has not been and is not being registered under the Securities Act or any applicable state securities laws, and the Securities may not be transferred unless (a) the Securities are sold pursuant to an effective registration statement under the Securities Act, (b) the Buyer shall have delivered to the Company an opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that the Securities to be sold or transferred may be sold or transferred pursuant to an exemption from such registration, (c) the Securities are sold or transferred to an "affiliate" (as defined in Rule 144) of the Buyer who agrees to sell or otherwise transfer the Securities only in accordance with this Section 3.6 and

who is an Accredited Buyer or (d) the Securities are sold pursuant to Rule 144; (ii) any sale of such Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144 and further, if Rule 144 is not applicable, any resale of such Securities under circumstances in which the seller (or the person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the Securities Act) may require compliance with some other exemption under the Securities Act or the rules and regulations of the SEC thereunder; and (iii) neither the Company nor any other person is under any obligation to register such Securities under the Securities Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder (in each case, other than pursuant to the terms and conditions of the Registration Rights Agreement). Notwithstanding the foregoing or anything else contained herein to the contrary, the Securities may be pledged as collateral in connection with a bona fide margin account or other lending arrangement. In connection with any sale of Registrable Securities by the Buyer pursuant to clause (a) above, the Buyer agrees to sell all such securities in compliance with applicable prospectus delivery requirements.

Section 3.7 Authorization; Enforcement. This Agreement and the Registration Rights Agreement have been duly and validly authorized by Buyer. This Agreement has been duly executed and delivered on behalf of the Buyer, and this Agreement constitutes, and upon execution and delivery by the Buyer of the Registration Rights Agreement, such agreement will constitute, valid and binding agreements of the Buyer enforceable in accordance with their terms.

Section 3.8 Residency. The Buyer is a resident of the Commonwealth of Pennsylvania.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Buyer that:

Section 4.1 Organization and Qualification. The Company and each of its Subsidiaries is a corporation duly organized and validly subsisting under the laws of the jurisdiction in which it is incorporated, with full power and authority (corporate and other) to own, lease, use and operate its properties and to carry on its business as and where now owned, leased, used, operated and conducted. Schedule 4.1 sets forth a list of all of the Subsidiaries of the Company and the jurisdiction in which each is incorporated. The Company and each of its Subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which its ownership or use of property or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not have a Material Adverse Effect.

Section 4.2 Authorization; Enforcement. (i) The Company has all requisite corporate power and authority to enter into and perform this Agreement, the Statement With Respect to Shares and the Registration Rights Agreement and to consummate the transactions contemplated hereby and thereby and to issue the Securities, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Statement With Respect to Shares and the Registration Rights Agreement by the Company and the consummation by it of the transactions contemplated hereby and thereby (including without limitation, the issuance of the Series C

Shares and the issuance and reservation for the shares of Common Stock issuable upon conversion of the Series C Shares) have been duly authorized by the Audit Committee of the Company's Board of Directors and no further consent or authorization of the Company, its Board of Directors, or its shareholders is required by law, regulation or regulatory body, (iii) this Agreement has been duly executed and delivered by the Company, and (iv) this Agreement constitutes, and upon execution and delivery by the Company of the Statement With Respect to Shares (and the filing of the Statement With Respect to Shares with the Secretary of State of the Commonwealth of Pennsylvania on or before the Closing as required by Section 2(b)(ii) and the Registration Rights Agreement, such documents will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

Section 4.3 Capitalization. As of the date hereof, the authorized capital stock of the Company consists of 1,000,000 shares of Preferred Stock, of which 6,000 shares are issued and outstanding, 20,000,000 shares of Common Stock, of which 9,028,459 shares of Common Stock are issued and outstanding, 1,774,647 shares of Common Stock are reserved for issuance pursuant to the Company's stock option plans, and 2,873,343 shares of Common Stock are reserved for issuance pursuant to securities exercisable for, or convertible into or exchangeable for shares of Common Stock. All of such outstanding shares of capital stock are, or upon issuance will be, duly authorized, validly issued, fully paid and nonassessable. No shares of capital stock of the Company are subject to preemptive rights or any other similar rights of the shareholders of the Company or any liens or encumbrances imposed through the actions or failure to act of the Company. Except as disclosed in Schedule 4.3, as of the Closing Date (i) there are no outstanding options, warrants, scrip, rights to subscribe for, puts, calls, rights of first refusal, agreements, understandings, claims or other commitments or rights of any character whatsoever relating to, or securities or rights convertible into or exchangeable for any shares of capital stock of the Company or any of its Subsidiaries, or arrangements by which the Company or any of its Subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its Subsidiaries, (ii) there are no agreements or arrangements under which the Company or any of its Subsidiaries is obligated to register the sale of any of its or their securities under the Securities Act (except the Registration Rights Agreement) and (iii) there are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) that will be or could be triggered by the issuance of the Series C Shares. The Company has furnished to the Buyer true and correct copies of the Company's Articles of Incorporation as in effect on the date hereof (the "Articles of Incorporation"), the Company's Bylaws as in effect on the date hereof (the "Bylaws"), and the terms of all securities convertible into or exercisable for Common Stock of the Company and the material rights of the holders thereof in respect thereto.

Section 4.4 Issuance of Shares. The Series C Shares will be properly issued pursuant to Regulation D and/or any applicable state law. When issued, the Series C Shares shall be duly and validly issued, fully paid, and nonassessable. Neither the sale of the Series C Shares pursuant to, nor the Company's performance of its obligations under, this Agreement or the Registration Rights Agreement will (i) result in the creation or imposition of any liens, charges, claims or other encumbrances upon the Series C Shares or any of the assets of the Company, or (ii) entitle the holders of outstanding shares of capital stock to preemptive or other rights to subscribe to or acquire shares of capital stock or other securities of the Company.

Section 4.5 No Conflicts. The execution, delivery and performance of this Agreement and the Registration Rights Agreement by the Company and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance and reservation for issuance, as applicable, of the Series C Shares and shares of Common Stock underlying the Series C Shares) will not (i) conflict with or result in a violation of any provision of the Articles of Incorporation or Bylaws or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both could become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement or instrument to which the Company or any of its Subsidiaries is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and regulations of any self-regulatory organizations to which the Company or its securities are subject) applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected. Neither the Company nor any of its Subsidiaries is in violation of its Articles of Incorporation, Bylaws or other organizational documents and neither the Company nor any of its Subsidiaries is in default (and no event has occurred which with notice or lapse of time or both could put the Company or any of its Subsidiaries in default) under, and neither the Company nor any of its Subsidiaries has taken any action or failed to take any action that would give to others any rights of termination, amendment, acceleration or cancellation of, any agreement or instrument to which the Company or any of its Subsidiaries is a party or by which any property or assets of the Company or any of its Subsidiaries is bound or affected. The businesses of the Company and its Subsidiaries, if any, are not being conducted, and shall not be conducted so long as the Buyer owns any of the Securities, in violation of any law, ordinance or regulation of any governmental entity the violation of which would reasonably be expected to have a Material Adverse Effect. Except as specifically contemplated by this Agreement and as required under the Securities Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court, governmental agency, regulatory agency, self-regulatory organization or stock market or any third party in order for it to execute, deliver or perform any of its obligations under this Agreement or the Registration Rights Agreement in accordance with the terms hereof or thereof or to issue and sell the Series C Shares in accordance with the terms hereof and to issue shares of Common Stock upon conversion of the Series C Shares. Except as disclosed in Schedule 4.5, all consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company and its Subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

Section 4.6 SEC Documents: Financial Statements. Except as disclosed in Schedule 4.6, since February 24, 2006, the Company has timely filed all reports, schedules, forms, statements and other documents required to be filed by it with the SEC pursuant to the reporting requirements of the Exchange Act (all of the foregoing filed prior to the date hereof and all exhibits included therein and financial statements and schedules thereto and documents (other than exhibits to such documents) incorporated by reference therein, being hereinafter referred to as the "SEC Documents"). The Company has delivered or made available to the Buyer true and complete copies of the SEC Documents. As of their respective dates, the SEC Documents complied in all material respects with the requirements of the Exchange Act and the rules and regulations of the SEC promulgated thereunder applicable to the SEC Documents, and none of

the SEC Documents, at the time they were filed with the SEC, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the statements made in any such SEC Documents is, or has been, required to be amended or updated under applicable law (except for such statements as have been amended or updated in subsequent filings prior to the date hereof). As of their respective dates, the financial statements of the Company included in the SEC Documents complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with United States generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements) and fairly present in all material respects the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). Except as set forth in the financial statements of the Company included in the SEC Documents, the Company has no liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to February 24, 2006 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under generally accepted accounting principles to be reflected in such financial statements, which, individually or in the aggregate, are not material to the financial condition or operating results of the Company.

Section 4.7 Absence of Certain Changes. Except as set forth on Schedule 4.7, since February 24, 2006, there has been no material adverse change and no material adverse development in the assets, liabilities, business, properties, operations, financial condition or results of operations of the Company or any of its Subsidiaries (other than changes which have been disclosed in the SEC Documents filed since such date).

Section 4.8 Absence of Litigation. Other than as disclosed in the SEC Documents, there is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company or any of its Subsidiaries, threatened against or affecting the Company or any of its Subsidiaries, or their officers or directors in their capacity as such, that could have a Material Adverse Effect.

Section 4.9 Patents, Copyrights, etc. The Company and each of its Subsidiaries owns or possesses the requisite licenses or rights to use all patents, patent applications, patent rights, inventions, know-how, trade secrets, trademarks, trademark applications, service marks, service names, trade names and copyrights ("Intellectual Property") necessary to enable it to conduct its business as now operated (and, to the best of the Company's knowledge, as presently contemplated to be operated in the future); there is no claim or action by any person pertaining to, or proceeding pending, or to the Company's knowledge threatened, which challenges the right of the Company or of a Subsidiary with respect to any Intellectual Property necessary to enable it to conduct its business as now operated (and, except as set forth in Schedule 4.9 hereof, to the best of the Company's knowledge, as presently contemplated to be operated in the future); to the

best of the Company's knowledge, the Company's or its Subsidiaries' current and intended products, services and processes do not infringe on any Intellectual Property or other rights held by any person; and the Company is unaware of any facts or circumstances which might give rise to any of the foregoing. The Company and each of its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of their Intellectual Property.

Section 4.10 No Materially Adverse Contracts, Etc. Neither the Company nor any of its Subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement which in the judgment of the Company's officers has or is expected to have a Material Adverse Effect.

Section 4.11 Tax Status. Except as set forth on Schedule 4.11, the Company and each of its Subsidiaries has made or filed all federal, state and foreign income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject (unless and only to the extent that the Company and each of its Subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) and has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provisions reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company has not executed a waiver with respect to the statute of limitations relating to the assessment or collection of any foreign, federal, state or local tax. Except as set forth on Schedule 4.11, none of the Company's tax returns is presently being audited by any taxing authority.

Section 4.12 Certain Transactions. Except as disclosed in the SEC Documents and except for arm's length transactions pursuant to which the Company or any of its Subsidiaries makes payments in the ordinary course of business upon terms no less favorable than the Company or any of its Subsidiaries could obtain from third parties and other than the grant of stock options disclosed on Schedule 4.3, none of the officers, directors, or employees of the Company is presently a party to any transaction with the Company or any of its Subsidiaries (other than for services as employees, officers and directors).

Section 4.13 Disclosure. All information relating to or concerning the Company or any of its Subsidiaries set forth in this Agreement and provided to the Buyer pursuant to Section 3.4 hereof and otherwise in connection with the transactions contemplated hereby is true and correct in all material respects and the Company has not omitted to state any material fact necessary in order to make the statements made herein or therein, in light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or exists, nor is the Company in possession of any information, with respect to the Company or any of its Subsidiaries or its or their business, properties, operations or financial conditions, which has not been publicly announced or disclosed but under applicable law, rule or regulation, requires public disclosure or announcement by the Company.

Section 4.14 Acknowledgment Regarding the Buyer's Purchase of Securities. The Company acknowledges and agrees that the Buyer is acting solely in the capacity of an arm's length purchaser with respect to this Agreement and the transactions contemplated hereby. The Company further acknowledges that the Buyer is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to this Agreement and the transactions contemplated hereby and that any statement made by the Buyer or any of its representatives or agents in connection with this Agreement and the transactions contemplated hereby is not advice or a recommendation and is merely incidental to the Buyer's purchase of the Securities and has not been relied upon by the Company, its officers or directors in any way.

Section 4.15 No General Solicitation. Neither the Company nor any person acting for the Company has conducted any "general solicitation," as such term is defined in Regulation D, with respect to any of the Securities being offered hereby.

Section 4.16 No Integrated Offering. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has directly or indirectly made any offers or sales of any security or solicited any offers to buy any security under circumstances that would require registration under the Securities Act of the issuance of the Securities to the Buyer. The issuance of the Securities to the Buyer will not be integrated with any other issuance of the Company's securities (past, current or future) for purposes of any shareholder approval provisions applicable to the Company or its securities.

Section 4.17 No Brokers. The Company has taken no action which would give rise to any claim by any person for brokerage commissions, finder's fees or similar payments relating to this Agreement or the transactions contemplated hereby.

Section 4.18 Acknowledgment Regarding Securities. The Company's executive officers have studied and fully understand the nature of the Securities being sold hereunder. The Audit Committee of the Company's Board of Directors has determined in its good faith business judgment that the issuance of the Securities hereunder and the consummation of the other transactions contemplated hereby are in the best interests of the Company and its shareholders.

Section 4.19 Permits; Compliance. The Company and each of its Subsidiaries is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exemptions, consents, certificates, approvals and orders necessary to own, lease and operate its properties and to carry on its business as it is now being conducted (collectively, the "Company Permits"), and there is no action pending or, to the knowledge of the Company, threatened regarding suspension or cancellation of any of the Company Permits. Neither the Company nor any of its Subsidiaries is in conflict with, or in default or violation of, any of the Company Permits. Since February 24, 2006, neither the Company nor any of its Subsidiaries has received any notification with respect to possible conflicts, defaults or violations of applicable laws.

Section 4.20 Environmental Matters.

(a) There are, with respect to the Company or any of its Subsidiaries or any predecessor of the Company, no past or present violations of Environmental Laws (as defined below), releases of any material into the environment, actions, activities, circumstances,

conditions, events, incidents, or contractual obligations which may give rise to any common law environmental liability or any liability under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 or similar federal, state, local or foreign laws and neither the Company nor any of its Subsidiaries has received any notice with respect to any of the foregoing, nor is any action pending or, to the Company's knowledge, threatened in connection with any of the foregoing. The term "Environmental Laws" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

(b) Other than those that are or were stored, used or disposed of in compliance with applicable law, no Hazardous Materials are contained on any real property currently owned, leased or used by the Company or any of its Subsidiaries, and no Hazardous Materials were released on any real property previously owned, leased or used by the Company or any of its Subsidiaries during the period the property was owned, leased or used by the Company or any of its Subsidiaries, except in the normal course of the Company's or any of its Subsidiaries' business.

(c) There are no underground storage tanks on or under any real property owned, leased or used by the Company or any of its Subsidiaries that are not in compliance with applicable law.

Section 4.21 Title to Property. The Company and its Subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them which is material to the business of the Company and its Subsidiaries, in each case free and clear of all liens, encumbrances and defects except such as are described in Schedule 4.21 or such as would not have a Material Adverse Effect. Any real property and facilities held under lease by the Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not have a Material Adverse Effect.

Section 4.22 Insurance. The Company and each of its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its Subsidiaries are engaged. Neither the Company nor any such Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

Section 4.23 Internal Accounting Controls. The Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient, in the judgment of the Audit

Committee of the Company's Board of Directors, to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 4.24 Foreign Corrupt Practices. Neither the Company, nor any of its Subsidiaries, nor any director, officer, agent, employee or other person acting on behalf of the Company or any Subsidiary has, in the course of his actions for, or on behalf of, the Company, used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; violated or is in violation of any provision of the U.S. Foreign Corrupt Practices Act of 1977; or made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any foreign or domestic government official or employee.

ARTICLE 5 COVENANTS

Section 5.1 Best Efforts. The parties shall use their best efforts to satisfy timely each of the conditions described in Section 5 of this Agreement.

Section 5.2 Statement With Respect to Shares; Form D; Blue Sky Laws. The Company agrees to file the Statement With Respect to Shares with the Secretary of State of the Commonwealth of Pennsylvania on or before the Closing and to provide a copy thereof to Buyer promptly after such filing. The Company agrees to file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to the Buyer promptly after such filing. The Company shall, on or before the Closing Date, take such action as the Company shall reasonably determine is necessary to qualify the Securities for sale to the Buyer pursuant to this Agreement under applicable securities or "blue sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Buyer on or prior to the Closing Date.

Section 5.3 Reporting Status. The Company's Common Stock is registered under Section 12(b) of the Exchange Act. So long as the Buyer beneficially owns any of the Securities, the Company shall timely file all reports required to be filed with the SEC pursuant to the Exchange Act, and the Company shall not terminate its status as an issuer required to file reports under the Exchange Act even if the Exchange Act or the rules and regulations thereunder would permit such termination.

Section 5.4 Use of Proceeds. The Company shall use the proceeds from the sale of the Series C Shares in accordance with Schedule 5.4.

Section 5.5 Reservation of Shares. The Company shall at all times have authorized, and reserved for the purpose of issuance, a sufficient number of shares of Common Stock to provide for the full conversion of the Series C Shares issued pursuant to this Agreement.

Section 5.6 Listing. The Company shall promptly secure the listing of the shares of Common Stock issuable upon conversion of the Series C Shares upon the American Stock Exchange or the applicable Principal Market, as the case may be, and each other national securities exchange or automated quotation system, if any, upon which shares of Common Stock are then listed (subject to official notice of issuance) and, so long as the Buyer owns any of the Securities, shall maintain, so long as any other shares of Common Stock shall be so listed, such listing of all shares of Common Stock issuable upon conversion of the Series C Shares.

Section 5.7 No Integration. The Company shall not make any offers or sales of any security (other than the Securities) under circumstances that would require registration of the Securities being offered or sold hereunder under the Securities Act or cause the offering of Securities to be integrated with any other offering of securities by the Company for the purpose of any shareholder approval provision applicable to the Company or its securities. This covenant shall not prohibit the Company from issuing shares of Common Stock upon conversion of the Series C Shares.

Section 5.8 Issuance of Series C Shares. The sale and issuance of the Series C Shares shall be made in accordance with the provisions and requirements of Regulation D and any applicable state law.

Section 5.9 Legal Compliance. The Company shall conduct its business and the business of its Subsidiaries in compliance with all laws, ordinances or regulations of governmental entities applicable to such businesses.

Section 5.10 Expenses. The Company shall reimburse Buyer for its reasonable expenses incurred in connection with this Agreement, including the fees and disbursements of counsel for the Buyer.

ARTICLE 6 INDEMNIFICATION

The Company agrees to indemnify and hold harmless the Buyer, its partners, affiliates, officers, directors, employees, and duly authorized agents, and each Person or entity, if any, who controls the Buyer within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (a "Control Person"), from and against any Damages, joint or several, and any action in respect thereof to which the Buyer, its partners, affiliates, officers, directors, employees, duly authorized agents and Control Persons, becomes subject to, resulting from, arising out of or relating to any breach or alleged breach by the Company of any representation or warranty or to the nonfulfillment of or failure to perform any covenant or agreement on the part of Company contained in this Agreement or the Registration Rights Agreement in any event as such Damages are incurred. The Company and the Buyer hereby agree to resolve any claim for indemnification under this Article 6 pursuant to the procedures for indemnification set forth in Section 6 of the Registration Rights Agreement.

ARTICLE 7
MISCELLANEOUS

Section 7.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to agreements made and to be performed in the Commonwealth of Pennsylvania (without regard to principles of conflict of laws). Both parties irrevocably consent to the exclusive jurisdiction of the United States federal courts and the state courts located in Pennsylvania with respect to any suit or proceeding based on or arising under this Agreement, the agreements entered into in connection herewith or the transactions contemplated hereby or thereby and irrevocably agree that all claims in respect of such suit or proceeding may be determined in such courts. Both parties irrevocably waive the defense of an inconvenient forum to the maintenance of such suit or proceeding. Both parties further agree that service of process upon a party mailed by first class mail shall be deemed in every respect effective service of process upon the party in any such suit or proceeding. Nothing herein shall affect either party's right to serve process in any other manner permitted by law. Both parties agree that a final non-appealable judgment in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

Section 7.2 Notices. Any notices required or permitted to be given under the terms of this Agreement shall be sent by certified or registered mail (return receipt requested) or delivered personally or by courier (including a recognized overnight delivery service) or by confirmed facsimile transmission and shall be effective five days after being placed in the mail, if mailed by regular United States mail, or upon receipt, if delivered personally or by courier (including a recognized overnight delivery service) or by facsimile, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

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

With copy to:

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

If to the Buyer:

To the address set forth immediately below the Buyer's name on the signature pages hereto.

With a copy to:

Royer & Associates, LLC
681 Moore Road, Suite 321
King of Prussia, PA 19406
Attn: John E. Royer, Jr., Esq.
Facsimile: (610) 354-8896

Each party shall provide notice to the other party of any change in address.

Section 7.3 Counterparts: Signatures by Facsimile. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

Section 7.4 Headings. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement.

Section 7.5 Severability. If any provision of this Agreement shall be invalid or unenforceable in any jurisdiction, such invalidity or unenforceability shall not affect the validity or enforceability of the remainder of this Agreement or the validity or enforceability of this Agreement in any other jurisdiction.

Section 7.6 Entire Agreement; Amendments. This Agreement, the Registration Rights Agreement and the Exhibits and Schedules hereto contain the entire agreement and understanding of the parties with respect to the matters covered herein and therein and supersede all prior and contemporaneous agreements, negotiations and understandings between the parties, both oral and written relating to the subject matter hereof. The terms and conditions of all Exhibits to this Agreement are incorporated herein by this reference and shall constitute part of this Agreement as if fully set forth herein. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the party to be charged with enforcement.

Section 7.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Buyer. The Buyer may assign its rights and obligations hereunder to any affiliate of Buyer.

Section 7.8 Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other person.

Section 7.9 Survival. The representations and warranties of the Company and the agreements and covenants set forth in Article 3, 4, 5, 6, and 7 shall survive the Closing notwithstanding any due diligence investigation conducted by or on behalf of the Buyer.

Section 7.10 Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

Section 7.11 No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Series C Preferred Stock Purchase Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

ENVIRONMENTAL TECTONICS CORPORATION

By: _____

Name:

Title:

H.F. Lenfest

RESIDENCE: Pennsylvania

ADDRESS:

REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this “**Agreement**”), dated as of August 23, 2007, by and between Environmental Tectonics Corporation, a corporation organized under the laws of the Commonwealth of Pennsylvania (the “**Company**”), and H. F. Lenfest (“**Lenfest**”), a resident of the Commonwealth of Pennsylvania.

WHEREAS:

A. In connection with the Series C Preferred Stock Purchase Agreement of even date herewith by and between the Company and Lenfest (the “**Preferred Stock Purchase Agreement**”), the Company has agreed, upon the terms and subject to the conditions contained therein, to issue and sell to Lenfest shares of Series C Cumulative Convertible Participating Preferred Stock of the Company (the “**Preferred Stock**”) which are convertible into shares of the Company’s common stock (the “**Common Stock**”).

B. To induce Lenfest to execute and deliver the Preferred Stock Purchase Agreement, the Company has agreed to provide certain registration rights under the Securities Act of 1933, as amended, and the rules and regulations thereunder, or any similar successor statute (collectively, the “**Securities Act**”), and applicable state securities laws.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound hereby, the Company and Lenfest hereby agree as follows:

1. DEFINITIONS.

(a) As used in this Agreement, the following terms shall have the following meanings:

(i) “**Investors**” means Lenfest and any transferees or assignees who agree to become bound by the provisions of this Agreement in accordance with Section 9 hereof.

(ii) “**register**,” “**registered**,” and “**registration**” refer to a registration effected by preparing and filing a Registration Statement or Registration Statements in compliance with the Securities Act and pursuant to Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous basis (“**Rule 415**”), and the declaration or ordering of effectiveness of such Registration Statement by the United States Securities and Exchange Commission (the “**SEC**”).

(iii) “**Registrable Securities**” means the Common Stock issuable upon conversion of the Preferred Stock.

(iv) “**Registration Statement**” means a registration statement of the Company under the Securities Act.

(b) Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Preferred Stock Purchase Agreement.

2. REGISTRATION.

(a) Demand Registration. Upon receipt of a written request (a “**Demand Request**”) from Investors holding a majority of the Registrable Securities, which Demand Request shall set forth the number of Registrable Securities the Investors are seeking to have registered, the Company shall prepare and file with the SEC as soon as practicable, but in no event later than sixty (60) days from the date of its receipt of a Demand Request, a Registration Statement on Form S-3 (or, if Form S-3 is not then available, on such form of Registration Statement as is then available to effect a registration of all of the Registrable Securities) covering the resale of the Registrable Securities which are the subject of the Demand Request. The Registration Statement filed hereunder, to the extent allowable under the Securities Act and the rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions. The Investors shall not be entitled to make more than four (4) Demand Requests pursuant to this Agreement. A registration request pursuant to this Section 2(a) shall not be deemed to have been effected and shall not be considered a demand registration which may be requested pursuant to this Section 2(a) unless a registration statement filed pursuant to this Section 2(a) has been declared effective by the SEC.

(b) Piggy-Back Registrations. If at any time prior to the expiration of the Registration Period (as hereinafter defined), the Company shall file with the SEC a Registration Statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities (other than the amendment of a registration statement now on file, registration statements on Form S-4 or Form S-8 or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans), the Company shall send to each Investor written notice of such filing and, if within fifteen (15) days after the receipt of such notice, an Investor shall so request in writing, the Company shall include in such Registration Statement all or any part of the Registrable Securities such Investor requests to be registered, except that if, in connection with any underwritten public offering, the managing underwriter(s) thereof shall impose a limitation on the number of shares of Common Stock which may be included in the Registration Statement because, in such underwriter(s)’ judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such Registration Statement only such limited portion of the Registrable Securities with respect to which such Investor has requested inclusion hereunder as the underwriter shall permit. Any exclusion of Registrable Securities shall be made pro rata among the Investors seeking to include Registrable Securities, in proportion to the number of Registrable Securities sought to be included by such Investors; provided, however, that the Company shall not exclude any Registrable Securities unless the Company has first excluded all outstanding securities, the holders of which are not contractually

entitled to inclusion of such securities in such Registration Statement or are not contractually entitled to pro rata inclusion with the Registrable Securities; and provided, further, however, that, after giving effect to the immediately preceding proviso, any exclusion of Registrable Securities shall be made pro rata with holders of other securities having the contractual right to include such securities in the Registration Statement other than holders of securities contractually entitled to inclusion of their securities in such Registration Statement by reason of demand registration rights. If an offering in connection with which an Investor is entitled to registration under this Section 2(b) is an underwritten offering, then each Investor whose Registrable Securities are included in such Registration Statement shall offer and sell such Registrable Securities in an underwritten offering using the same underwriter or underwriters and, subject to the provisions of this Agreement, on the same terms and conditions as other shares of Common Stock included in such underwritten offering.

(c) Registrations on Form S-3. Upon receipt of a written request (an “**S-3 Request**”) from Investors holding a majority of the Registrable Securities, which S-3 Request shall set forth the number of Registrable Securities the Investors are seeking to have registered, if the Company is eligible at the time of such request to use Form S-3, the Company shall prepare and file with the SEC as soon as practicable, but in no event later than sixty (60) days from the date of its receipt of an S-3 Request, a Registration Statement on Form S-3 covering the resale of the Registrable Securities which are the subject of the S-3 Request. The Registration Statement filed hereunder, to the extent allowable under the Securities Act and the rules promulgated thereunder (including Rule 416), shall state that such Registration Statement also covers such indeterminate number of additional shares of Common Stock as may become issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions. The Investors shall not be entitled to make more than two (2) S-3 Requests during any twelve (12) month period. The Investors shall not be entitled to make an S-3 Request prior to the Initial Demand Request Date.

3. OBLIGATIONS OF THE COMPANY.

In connection with the registration of the Registrable Securities, the Company shall have the following obligations:

(a) The Company shall prepare and file with the SEC the Registration Statement in accordance with Section 2, and cause such Registration Statement relating to Registrable Securities to become effective as soon as practicable after such filing, and keep such Registration Statement effective pursuant to Rule 415 at all times until such date as is the earlier of (i) the date on which all of the Registrable Securities have been sold and (ii) the date on which all of the Registrable Securities (in the opinion of counsel to the Investors, which shall be sought upon the request of the Company) may be immediately sold to the public without registration or restriction pursuant to Rule 144(k) under the Securities Act or any successor provision (the “**Registration Period**”), which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein and all documents incorporated by reference therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading, and (iii) shall comply in all material respects with the requirements of the Securities Act and the rules and regulations of the SEC promulgated thereunder. The financial statements

of the Company included in the Registration Statement or incorporated by reference therein will comply in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC applicable with respect thereto. Such financial statements will be prepared in accordance with U.S. generally accepted accounting principles, consistently applied, during the periods involved (except in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed on summary statements) and fairly present in all material respects the consolidated financial position of the Company and its consolidated subsidiaries as of the dates thereof and the consolidated results of their operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to immaterial year-end adjustments).

(b) The Company shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of the Company covered by the Registration Statement until the earlier of (i) such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in the Registration Statement or (ii) the expiration of the Registration Period.

(c) The Company shall furnish to each Investor whose Registrable Securities are included in the Registration Statement and its legal counsel (i) promptly after the same is prepared and publicly distributed, filed with the SEC, or received by the Company, one copy of the Registration Statement and any amendment thereto, each preliminary prospectus and prospectus and each amendment or supplement thereto, and, in the case of the Registration Statement referred to in Section 2(a), each letter written by or on behalf of the Company to the SEC or the staff of the SEC (including, without limitation, any request to accelerate the effectiveness of the Registration Statement or amendment thereto), and each item of correspondence from the SEC or the staff of the SEC, in each case relating to the Registration Statement (other than any portion, if any, thereof which contains information for which the Company has sought confidential treatment), (ii) on the date of effectiveness of the Registration Statement or any amendment thereto, a notice stating that the Registration Statement or amendment has been declared effective, and (iii) such number of copies of a prospectus, including a preliminary prospectus, and all amendments and supplements thereto and such other documents as such Investor may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Investor.

(d) The Company shall (i) register and qualify the Registrable Securities covered by the Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as each Investor who holds Registrable Securities being offered reasonably requests, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period, and (iv) take all other actions reasonably necessary or advisable to qualify the Registrable Securities for sale in such jurisdictions; provided, however,

that the Company shall not be required in connection therewith or as a condition thereto to (A) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (B) subject itself to general taxation in any such jurisdiction, (C) file a general consent to service of process in any such jurisdiction, (D) provide any undertakings that cause the Company undue expense or burden, or (E) make any change in its charter or bylaws, which in each case the Board of Directors of the Company determines to be contrary to the best interests of the Company and its shareholders.

(e) As promptly as practicable after becoming aware of such event, the Company shall notify each Investor of the happening of any event, of which the Company has knowledge, as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and, promptly prepare a supplement or amendment to the Registration Statement to correct such untrue statement or omission, and deliver such number of copies of such supplement or amendment to each Investor as such Investor may reasonably request.

(f) The Company shall use reasonable best efforts (i) to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, and, if such an order is issued, to obtain the withdrawal of such order at the earliest practicable moment (including in each case by amending or supplementing such Registration Statement) and (ii) to notify each Investor who holds Registrable Securities being sold (or, in the event of an underwritten offering, the managing underwriters) of the issuance of such order and the resolution thereof (and if such Registration Statement is supplemented or amended, deliver such number of copies of such supplement or amendment to each Investor as such Investor may reasonably request).

(g) The Company shall permit a single firm of counsel designated by the Investors to review the Registration Statement and all amendments and supplements thereto a reasonable period of time prior to its filing with the SEC, and not file any document in a form to which such counsel reasonably objects.

(h) At the request of an Investor in the case of an underwritten public offering, the Company shall furnish, on the date of effectiveness of the Registration Statement (i) an opinion, dated as of such date, from counsel representing the Company addressed to each Investor and in form, scope and substance as is customarily given in an underwritten public offering and (ii) a letter, dated such date, from the Company's independent certified public accountants in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters, if any, and each Investor.

(i) The Company shall hold in confidence and not make any disclosure of information concerning an Investor provided to the Company unless (i) disclosure of such information is necessary to comply with federal or state securities laws, (ii) the disclosure of such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, (iii) the release of such information is ordered pursuant to a subpoena or other order from a court or governmental body of competent jurisdiction, (iv) such information has been

made generally available to the public other than by the Company or disclosure in violation of this or any other agreement, or (v) such Investor consents to the form and content of any such disclosure. The Company agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to such Investor prior to making such disclosure, and allow the Investor, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

(j) The Company shall, prior to the declaration of effectiveness of any registration statement covering Registrable Securities, cause all of the Registrable Securities covered by the Registration Statement to be listed, at its option, on the American Stock Exchange (“**AMEX**”) or another national securities exchange and on each additional national securities exchange on which securities of the same class or series issued by the Company are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange.

(k) The Company shall provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities.

(l) The Company shall cooperate with the Investors who hold Registrable Securities being offered and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legends) representing Registrable Securities to be offered pursuant to the Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the managing underwriter or underwriters, if any, or the Investors may reasonably request and registered in such names as the managing underwriter or underwriters, if any, or the Investors may request, and, within five (5) business days after the Registration Statement which includes Registrable Securities is ordered effective by the SEC, the Company shall deliver, and shall cause legal counsel selected by the Company to deliver, to the transfer agent for the Registrable Securities (with copies to the Investors whose Registrable Securities are included in such Registration Statement), an opinion of such counsel in the form reasonably satisfactory to the transfer agent.

4. OBLIGATIONS OF THE INVESTOR.

In connection with the registration of the Registrable Securities, each Investor shall have the following obligations:

(a) It shall be a condition precedent to the obligations of the Company to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to the Company such information regarding himself or itself, the Registrable Securities held by him or it and the intended method of disposition of the Registrable Securities held by him or it as shall be reasonably required to effect the registration of such Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least ten (10) days prior to the anticipated filing date of the Registration Statement, the Company shall notify each Investor of the information the Company requires from each such Investor.

(b) Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder. The Company shall not be required to include in any Registration Statement the Registrable Securities of any Investor who fails to cooperate with the Company as reasonably requested in connection with the preparation and filing of the Registration Statement.

(c) Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Sections 3(e) or 3(f), such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Sections 3(e) or 3(f) and, if so directed by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of destruction at the Company's request) all copies in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

(d) No Investor may participate in any underwritten distribution hereunder unless such Investor (i) agrees to sell such Investor's Registrable Securities on the basis provided in any underwriting arrangements in usual and customary form entered into by the Company, (ii) completes and executes all customary questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under underwritten offerings for selling shareholders, (iii) agrees to pay its pro rata share of all underwriting discounts and commissions and any expenses in excess of those payable by the Company pursuant to Section 5 below, and (iv) complies with all applicable laws in connection therewith.

(e) In the event that in the judgment of the Company, it is advisable to suspend the use of a Prospectus included in the Registration Statement due to pending material developments or other events which have not yet been publicly disclosed and as to which the Company believes public disclosure would be detrimental to the Company, the Company shall notify each Investor to such effect, and, upon receipt of such notice, each Investor shall immediately discontinue any sales of Registrable Securities pursuant to the Registration Statement until such Investor receives copies of a supplemental or amended Prospectus or until such Investor is advised in writing by the Company that the then current Prospectus may be used and have received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus (a "**Disclosure Delay Period**"). Notwithstanding the foregoing, there shall not be more than an aggregate of ninety (90) days in any twelve (12) month period during which the Company is in a Disclosure Delay Period.

5. EXPENSES OF REGISTRATION. All reasonable expenses incurred by the Company or the Investors in connection with registrations, filings or qualifications pursuant to Sections 2 and 3 above, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, and the fees and disbursements of counsel for the Investors shall be borne by the Company.

6. INDEMNIFICATION. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify, hold harmless and defend (i) each Investor who holds such Registrable Securities, and (ii) the directors, officers, partners, members, employees and agents of such Investor and each person who controls any Investor within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, if any, (each, an “**Indemnified Person**”), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, “**Claims**”) to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading, (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the effective date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if the Company files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in light of the circumstances under which the statements therein were made, not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer or sale of the Registrable Securities (the matters in the foregoing clauses (i) through (iii) being, collectively, “**Violations**”). The Company shall reimburse the Investors and each other Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a) shall not apply to a Claim arising out of or based upon a Violation which occurs in reliance upon and in conformity with information furnished in writing to the Company by such Indemnified Person for use in the Registration Statement or any such amendment thereof or supplement thereto. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Registrable Securities by any Investor pursuant to Section 9 hereof.

(b) In connection with any Registration Statement in which an Investor is participating, each such Investor agrees severally and not jointly to indemnify, hold harmless and defend, to the same extent and in the same manner set forth in Section 6(a), the Company, each of its directors, each of its officers who signs the Registration Statement, its employees, agents and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, and any other shareholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such shareholder within the meaning of the Securities Act or the Exchange Act (collectively and together with an Indemnified Person, an “**Indemnified Party**”), against any Claim to which any of them may become subject, under the Securities Act, the Exchange Act or otherwise, insofar as such Claim arises out of or is based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished to the Company by such Investor expressly for use in connection with such Registration Statement; and, subject to Section 6(c), such Investor will reimburse any legal or other expenses reasonably incurred by them in connection with investigating or

defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld; provided, further, however, that the Investor shall be liable in the aggregate to all Indemnified Parties under this Agreement (including this Section 6(b) and Section 7) for only that amount as does not exceed the net proceeds actually received by such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Indemnified Party if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

(c) Promptly after receipt by an Indemnified Person or Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Person or Indemnified Party shall, if a Claim in respect thereof is to be made against any indemnifying party under this Section 6, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly notified, to assume control of the defense thereof with counsel mutually satisfactory to the indemnifying party and the Indemnified Person or the Indemnified Party, as the case may be; provided, however, that such indemnifying party shall not be entitled to assume such defense and an Indemnified Person or Indemnified Party shall have the right to retain its own counsel with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel retained by the indemnifying party, the representation by such counsel of the Indemnified Person or Indemnified Party and the indemnifying party would be inappropriate due to actual or potential conflicts of interest between such Indemnified Person or Indemnified Party and any other party represented by such counsel in such proceeding or the actual or potential defendants in, or targets of, any such action include both the Indemnified Person or the Indemnified Party and the indemnifying party and any such Indemnified Person or Indemnified Party reasonably determines that there may be legal defenses available to such Indemnified Person or Indemnified Party which are in conflict with those available to such indemnifying party. The indemnifying party shall pay for only one separate legal counsel for the Indemnified Person or the Indemnified Parties, as applicable, and such legal counsel shall be selected by Investors holding a majority-in-interest of the Registrable Securities included in the Registration Statement to which the Claim relates (with the approval of the initial Investor if it holds Registrable Securities included in such Registration Statement), if the Investors are entitled to indemnification hereunder, or by the Company, if the Company is entitled to indemnification hereunder, as applicable. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall not relieve such indemnifying party of any liability to the Indemnified Person or Indemnified Party under this Section 6, except to the extent that the indemnifying party is actually prejudiced in its ability to defend such action. The indemnification required by this Section 6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

7. CONTRIBUTION. To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and the Indemnified Person or Indemnified Party, as the case may be, on the other hand, with respect to the Violation giving rise to the applicable Claim; provided, however, that (i) no contribution shall be made under circumstances where the party would not have been liable for indemnification under the fault standards set forth in Section 6, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii) contribution (together with any indemnification or other obligations under this Agreement) by any seller of Registrable Securities shall be limited in the aggregate amount to the net amount of proceeds actually received by such seller from the sale of such Registrable Securities.

8. REPORTS UNDER THE EXCHANGE ACT. With a view to making available to each Investor the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit each Investor to sell securities of the Company to the public without registration (“**Rule 144**”), the Company agrees to:

(a) use its best efforts to file with the SEC in a timely manner and make and keep available all reports and other documents required of the Company under the Securities Act and the Exchange Act so long as the Company remains subject to such requirements and the filing and availability of such reports and other documents is required for the applicable provisions of Rule 144; and

(b) furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested to permit each Investor to sell such securities under Rule 144 without registration.

9. ASSIGNMENT OF REGISTRATION RIGHTS. The rights of the Investors hereunder, including the right to have the Company register Registrable Securities pursuant to this Agreement, shall be automatically assignable by each Investor to any transferee of Registrable Securities or any assignee of the Preferred Stock Purchase Agreement if: (i) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company promptly after such assignment, (ii) the Company is furnished with written notice of (A) the name and address of such transferee or assignee, and (B) the securities with respect to which such registration rights are being transferred or assigned, and (iii) the transferee or assignee agrees in writing for the benefit of the Company to be bound by all of the provisions contained herein.

10. AMENDMENT OF REGISTRATION RIGHTS. Provisions of this Agreement may be amended and the observance thereof may be waived only with written consent of the Company and Investors who hold a majority in interest of the Registrable Securities or, in the

case of a waiver, with the written consent of the party charged with the enforcement of any such provision.

11. MISCELLANEOUS.

(a) Any notices required or permitted to be given under the terms of this Agreement shall be sent by certified or registered mail (return receipt requested), or delivered personally or by courier, or by confirmed telecopy, or by a reputable overnight delivery service, and shall be effective upon receipt or refusal of receipt, in each case addressed to a party. The addresses for such communications shall be:

If to the Company:

Environmental Tectonics Corporation
125 James Way
Southampton, PA 18966
Telephone: (215) 355-9100
Facsimile: (215) 357-4000
Attn: Chief Financial Officer

with a copy simultaneously transmitted by like means to:

Klehr, Harrison, Harvey, Branzburg & Ellers LLP
260 South Broad Street
Philadelphia, PA 19102
Telephone: (215) 569-4284
Facsimile: (215) 568-6603
Attn: William W. Matthews, III, Esquire

and if to any Investor, at such address as such Investor shall have provided in writing to the Company, or at such other address as each such party furnishes by notice given in accordance with this Section 11(a).

with a copy simultaneously transmitted by like means to:

Royer & Associates, LLC
681 Moore Road, Suite 321
King of Prussia, PA 19406
Attn: John E. Royer, Jr., Esq.
Facsimile: (610) 354-8896

(b) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(c) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to contracts made and to be

performed in the Commonwealth of Pennsylvania. The Company and each Investor irrevocably consent to the jurisdiction of the United States federal courts and the state courts located in the Commonwealth of Pennsylvania in any suit or proceeding based on or arising under this Agreement and irrevocably agrees that all claims in respect of such suit or proceeding may be determined in such courts. The Company and each Investor irrevocably waive the defense of an inconvenient forum to the maintenance of such suit or proceeding. The parties further agree that service of process upon the other party, mailed by first class mail shall be deemed in every respect effective service of process upon such party in any such suit or proceeding. Nothing herein shall affect the parties' right to serve process in any other manner permitted by law. Each party agrees that a final non-appealable judgment in any such suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on such judgment or in any other lawful manner.

(d) This Agreement and, the Preferred Stock Purchase Agreement constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement supersedes all prior agreements and understandings between the parties hereto with respect to the subject matter hereof and thereof.

(e) Subject to the requirements of Section 9 hereof, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto.

(f) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other party hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(h) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(i) All consents, approvals and other determinations to be made by the Investors pursuant to this Agreement shall be made by the Investors holding a majority in interest of the Registrable Securities held by all Investors.

(j) Each party to this Agreement has participated in the negotiation and drafting of this Agreement. As such, the language used herein shall be deemed to be the language chosen by the parties hereto to express their mutual intent, and no rule of strict construction will be applied against any party to this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of the date first above written.

ENVIRONMENTAL TECTONICS CORPORATION

By: _____

Duane Deaner
Chief Financial Officer

H. F. Lenfest

ENVIRONMENTAL TECTONICS CORPORATION
125 James Way
Southampton, PA 18966

August 23, 2007

H. F. Lenfest
c/o The Lenfest Group, LLC
300 Bar Harbor Drive, Suite 460
Conshohocken, PA 19428

Re: Series B Cumulative Convertible Preferred Stock/Series C Cumulative Convertible Participating Preferred Stock

Dear Gerry:

In connection with your execution of the Series C Preferred Stock Purchase Agreement, dated as of August 23, 2007, between Environmental Tectonics Corporation ("ETC") and you, ETC agrees to promptly take the following actions with respect to the Statement With Respect to Shares of Series B Cumulative Convertible Preferred Stock ("Series B Statement With Respect to Shares") filed with the Department of State of the Commonwealth of Pennsylvania on April 6, 2006:

1. Section 3(a) of the Series B Statement With Respect to Shares shall be amended to increase the annual dividend payable upon the Series B Preferred Stock to 10% per annum, which change in dividend rate shall be effective from the date of this letter up to and including April 6, 2012.
 2. Section 4(a) of the Series B Statement With Respect to Shares shall be amended to provide that you shall have the right to convert the shares of Series B Preferred Stock issuable pursuant to the Series B Statement With Respect to Shares as of August 23, 2007.
 3. Section 7 of the Series B Statement With Respect to Shares shall be amended to provide for weighted-average anti-dilution protection provided that the addition of such anti-dilution protection is deemed acceptable to the American Stock Exchange (or in the event that ETC's common stock is no longer listed for trading on the American Stock Exchange). ETC agrees to negotiate with the American Stock Exchange to add such anti-dilution protection.
 4. Section 8 of the Series B Statement With Respect to Shares shall be deleted and, accordingly, ETC shall no longer have the right to redeem the shares of Series B Preferred Stock issued to you pursuant to the Series B Statement With Respect to Shares. ETC agrees to refrain
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from redeeming any shares of Series B Preferred Stock prior to the effective date of an amendment to the Series B Statement With Respect to Shares.

In addition, ETC agrees to take action to amend the Series C Cumulative Convertible Participating Preferred Stock Statement with Respect to Shares to provide weighted average anti-dilution protection provided that such protection is deemed acceptable to the American Stock Exchange (or in the event that ETC's common stock is no longer listed for trading on the American Stock Exchange). ETC agrees to negotiate with the American Stock Exchange to add such anti-dilution protection.

If the foregoing is acceptable to you, please acknowledge your acceptance of the terms of this letter in the space indicated below.

Very truly yours,

Duane D. Deaner
Chief Financial Officer

Acknowledged and Agreed as of
August 23, 2007

H. F. Lenfest

ENVIRONMENTAL TECTONICS CORPORATION RECEIVES \$3.3 MILLION PREFERRED
STOCK INVESTMENT

Southampton, PA. August 28, 2007- Environmental Tectonics Corporation (AMEX-ETC) (“ETC” or the “Company”) today announced that on August 23, 2007, it entered into the Series C Preferred Stock Purchase Agreement (the “Purchase Agreement”) with Mr. H.F. Lenfest (“Mr. Lenfest”), pursuant to which, among other things, ETC issued and sold 3,300 shares of its newly-created class of Series C Cumulative Convertible Participating Preferred Stock (the “Series C Preferred Stock”) to Mr. Lenfest for \$3,300,000 (the “Acquisition”). The Series C Preferred Stock provides for a dividend rate equal to ten percent (10%) per annum, payable on a quarterly basis but deferrable at the option of ETC until the fifth anniversary of the Acquisition. The Series C Preferred Stock is convertible into 1,089,108 shares of ETC’s common stock beginning on the date of Acquisition at a conversion price of \$3.03 per share based on the closing price for ETC’s common stock on August 22, 2007, the trading day immediately prior to the Acquisition. The Series C Preferred Stock will automatically convert into shares of ETC’s common stock on the fifth anniversary of the Acquisition. The Series C Preferred Stock will vote with ETC’s common stock on an as converted basis.

ETC granted Mr. Lenfest certain demand and “piggy back” registration rights pursuant to a Registration Rights Agreement with respect to the shares of common stock issuable upon conversion of the Series C Preferred Stock.

In connection with Mr. Lenfest’s investment in the Series C Preferred Stock, ETC agreed to amend the terms of ETC’s existing Series B Cumulative Convertible Preferred Stock, also with Mr. Lenfest (the “Series B Preferred Stock”) to (i) increase the annual dividend rate to ten percent (10%), (ii) provide for immediate conversion at the option of Mr. Lenfest, and (iii) to remove ETC’s right to redeem the Series B Preferred Stock. ETC also agreed to discuss with the American Stock Exchange (“AMEX”) the inclusion of weighted-average anti-dilution protection for the Series B Preferred Stock and Series C Preferred Stock, and, if AMEX permits inclusion of such anti-dilution protection for the Series B Preferred Stock and the Series C Preferred Stock, to amend the terms of the Series B Preferred Stock and Series C Preferred Stock accordingly.

Mr. Lenfest is a member of ETC’s Board of Directors and a significant shareholder of ETC. Mr. Lenfest has been an investor and supporter of the Company since February 2003, when he participated in the Company’s refinancing with PNC Bank. As Mr. Lenfest is a related party as defined by Regulation S-K, ETC’s Audit Committee, comprised of Howard Kelley, Alan Mark Gemmill and Dr. George Anderson, each of whom is an independent director as defined by the AMEX rules and applicable securities laws, approved the terms and conditions of the Purchase Agreement and the transactions contemplated thereby.

William F. Mitchell, ETC's President and CEO, stated, "I am very pleased that Mr. Lenfest continues to show his support for ETC. Gerry's active involvement as a member of ETC's Board and his continuing financial support have both been extremely instrumental to ETC's strategic evolution and our major initiatives. I personally thank him for his interest."

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>