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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 8-K**

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

**Date of Earliest Event Reported**

**October 15, 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 is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2):

- 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 2.02. Results of Operations and Financial Condition.**

On October 15, 2007, Environmental Tectonics Corporation (the "Company") issued a press release announcing its preliminary financial results for the second quarter of its 2008 fiscal year, which ended on August 24, 2007.

As previously disclosed in the Company's Annual Report on Form 10-K for the year ended February 23, 2007, in May 2003, the Company filed a certified claim with the Department of the Navy (the "Government") seeking costs totaling in excess of \$5.0 million in connection with a contract for submarine rescue decompression chambers. As of February 23, 2007, the Company had recorded \$3.0 million in claims receivable for this claim. The Company had also previously disclosed, in a Current Report on Form 8-K dated June 28, 2007, that on June 14, 2007, the Government had amended its Answer to the Company's claim to add counterclaims. On June 27, 2007, the Company and the Government filed a Joint Motion to Dismiss with prejudice all of the Company's claims against the Government in connection with this contract. The Joint Motion to Dismiss was granted on June 28, 2007.

In June 2007, the Company reached a tentative settlement, subject to necessary governmental approvals, regarding the Government's counterclaims, whereby the Company agreed to pay to the Government \$3.3 million and transfer the submarine rescue decompression chambers to the Government, at which time the Company agreed to further obligations or claims under this contract. In September 2007, at the Government's request, the Company agreed to increase the amount to be paid to the Government from \$3.3 to \$3.55 million. It is not known at this time how long the approval process will take and there can be no assurance that such settlement will be finalized or approved. In the event that the settlement is not approved, the litigation regarding the Government's counterclaims will continue.

In connection with the settlement agreement, the Company has recorded a net pre-tax charge of \$5.9 million in the first quarter of fiscal 2008, comprised of \$6.4 million of claim costs partially offset by \$.5 million of previously reserved contract revenue. An additional \$250,000 charge was recorded in the second quarter of fiscal 2008.

The Company expects to fund the \$3.55 million cash payment required by the settlement agreement with a combination of cash on hand and through an additional investment by H. F. Lenfest, a significant shareholder and member of the Company's Board of Directors, which was completed on August 23, 2007.

Effective October 2, 2007, the U. S. Navy suspended ETC from performing work for the federal government pursuant to the Federal Acquisition Regulations. On October 10, 2007, representatives from ETC and the Company's attorneys met with the Navy's suspending official to discuss the suspension. At this point it is not known how long the suspension will continue.

The Company continues to analyze the impact of the tentative settlement with the Government on its financial statements and the Audit Committee of the Company's Board of Directors is reviewing the circumstances related thereto. This review has not been completed as of this date. The Company intends to complete this review and file its Quarterly Report on Form 10-Q for the period ended May 25, 2007 (the "Quarterly Report") and its Quarterly Report on

Form 10-Q for the period ended August 24, 2007 (the "Second Quarter Quarterly Report") on or before January 17, 2008.

A copy of this press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

**Item 3.01. Notice of Delisting or Failure to Satisfy a Continued Listing Rule or Standard; Transfer of Listing.**

On October 18, 2007, the Company received a letter from the American Stock Exchange ("AMEX") stating that the Company was not in compliance with Sections 134 and 1101 of the AMEX Company Guide as a result of the Company's failure to file the Second Quarter Quarterly Report. As the Company disclosed in a Form 12b-25 filed with the Securities and Exchange Commission on October 9, 2007, the Company was not able to file the Second Quarter Quarterly Report by October 9, 2007. The Company has also not been able to file the Quarterly Report within the five-day extension period permitted by Rule 12b-25. The Company's failure to file the Quarterly Report by October 15, 2007 has resulted in non-compliance with Sections 134 and 1101 of the AMEX Company Guide.

The non-compliance by the Company with Sections 134 and 1101 of the AMEX Company Guide makes the Company's common stock subject to being delisted from AMEX. The Company submitted a plan to AMEX on August 14, 2007 advising AMEX of the actions that it is taking and intends to take to bring the Company into compliance with Sections 134 and 1101 of the AMEX Company Guide by January 17, 2008. On September 20, 2007, AMEX notified the Company that AMEX had accepted the Company's plan to regain compliance with AMEX's continued listing standards, and that the Company's listing will be continued until January 17, 2008. In the October 18, 2007 letter of non-compliance from AMEX, AMEX informed the Company that it was not required to submit an additional plan of compliance in connection with its failure to file the Second Quarter Quarterly Report.

An indicator has been added to the Company's trading symbol noting the Company's non-compliance with Sections 134 and 1101 of the AMEX Company Guide until such time as the Company regains compliance with the applicable listing standards.

A copy of the press release issued by the Company on October 18, 2007 regarding receipt of the letter of non-compliance from AMEX is filed as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

**(d) Exhibits.**

The following exhibits are furnished or filed in accordance with Item 601 of Regulation S-K:

99.1 Press Release dated October 15, 2007.

99.2 Press Release dated October 18, 2007.

In accordance with General Instruction B.2 of Form 8-K, the information set forth under Item 2.02 in this Form 8-K is being furnished under Item 2.02 and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liabilities of such section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act.

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: October 19, 2007

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

## EXHIBIT INDEX

99.1 Press Release dated October 15, 2007.

99.2 Press Release dated October 18, 2007.

**ENVIRONMENTAL TECTONICS CORPORATION  
ANNOUNCES DELAY IN FORM 10-Q FILING, PROVIDES PRELIMINARY SECOND  
QUARTER FISCAL 2008 RESULTS**

Southampton, PA: October 15, 2007 – *Environmental Tectonics Corporation* (AMEX: ETC) (“ETC” or the “Company”) previously filed, on October 9, 2007, a Form 12b-25, Notification of Late Filing, with the Securities and Exchange Commission, stating that the Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended August 24, 2007, would not be filed on its due date, October 9, 2007. As previously disclosed in the Company’s Annual Report on Form 10-K for the year ended February 23, 2007, in May 2003, the Company had filed a certified claim with the Department of the Navy (the “Government”) seeking costs totaling in excess of \$5.0 million in connection with a contract for submarine rescue decompression chambers. As of February 23, 2007, the Company had recorded \$3.0 million in claims receivable for this claim. The Company had also previously disclosed, in a Current Report on Form 8-K dated June 28, 2007, that on June 14, 2007, the Government had amended its Answer to the Company’s claim to add counterclaims. On June 27, 2007, the Company and the Government filed a Joint Motion to Dismiss with prejudice all of the Company’s claims against the Government in connection with this contract. The Joint Motion to Dismiss was granted on June 28, 2007.

In June 2007, the Company reached a tentative settlement, subject to necessary governmental approvals, regarding the Government’s counterclaims, whereby the Company agreed to pay to the Government \$3.3 million and transfer the submarine rescue decompression chambers to the Government, at which time the Company will have no further obligations or claims under this contract. In September 2007, at the Government’s request, the Company agreed to increase the amount to be paid to the government from \$3.3 million to \$3.55 million. It is not known at this time how long the approval process will take and there can be no assurance that such settlement will be finalized or approved. In the event that the settlement is not approved, the litigation regarding the Government’s counterclaims will continue.

In connection with the tentative settlement agreement, the Company had recorded a net pre-tax charge of \$5.9 million in the first quarter of fiscal 2008, comprised of \$6.4 million of claim costs partially offset by \$.5 million of previously reserved contract revenue. An additional \$250,000 charge was recorded in the second quarter of fiscal 2008.

The Company expects to fund the \$3.55 million cash payment required by the settlement agreement with a combination of cash on hand and through an additional investment by H. F. Lenfest, a significant shareholder and member of the Company’s Board of Directors, which was completed on August 23, 2007.

Effective October 2, 2007, the U. S. Navy suspended ETC from performing work for the federal government pursuant to the Federal Acquisition Regulations. On October 10,

2007, representatives from ETC and the Company's attorneys met with the Navy's suspending official to discuss the suspension. At this point it is not known how long the suspension will continue.

The Company continues to analyze the impact of the tentative settlement with the Government on its financial statements and the Audit Committee of the Company's Board of Directors is reviewing the circumstances related thereto. This review has not been completed as of this date. The Company currently intends to complete this review and file its Reports on Form 10-Q for the quarterly periods ended May 25, 2007 and August 24, 2007 on or before January 17, 2008.

Following are ETC's financial results for the second quarter of fiscal 2008. These results are preliminary pending the completion of the analysis of the impact of the aforementioned tentative settlement with the U. S. Navy.

The Company had a net loss of \$2,970,000, or \$0.34 per share (basic and diluted), during the second quarter of fiscal 2008 compared to a net loss of \$2,148,000, or \$0.24 per share (basic and diluted), for the second quarter of fiscal 2007, representing an increase in net loss of \$822,000 or 38.3%. This increase in net loss was due primarily to an increase in selling, general and administrative expense of \$491,000, or 22.9%, and a \$250,000 charge related to the aforementioned tentative settlement with the U. S. Navy.

Sales for the second quarter of fiscal 2008 were \$4,247,000 as compared to \$4,329,000 for the second quarter of fiscal 2007, a slight decrease of \$82,000 or 1.9%. The sales decrease primarily reflected a \$934,000 or 38.7% decrease in international Pilot Training Systems (PTS) sales (including sales of our foreign subsidiaries), offset in part by an increase in domestic Sterilizer equipment sales (up \$717,000 or 159.7%).

Geographically, domestic sales in the second quarter of fiscal 2008 were \$2,400,000 as compared to \$1,451,000 in the second quarter of fiscal 2007, an increase of \$949,000 or 65.4%, reflecting the aforementioned increase in Sterilizer equipment. Domestic sales represented 56.5% of the Company's total sales in the second quarter of fiscal 2008, up from 33.5% for the second quarter of fiscal 2007. U.S. Government sales in the second quarter of fiscal 2008 were \$79,000 as compared to \$152,000 in the second quarter of fiscal 2007 and represented 1.9% of total sales in the second quarter of fiscal 2008 versus 3.5% for the second quarter of fiscal 2007. International sales for the second quarter of fiscal 2008 were \$1,768,000 as compared to \$2,726,000 in the second quarter of fiscal 2007, a decrease of \$958,000 or 35.1%, reflecting the aforementioned decrease in PTS sales, and represented 41.6% of total sales as compared to 63.0% in the second quarter of fiscal 2007.

Gross profit for the second quarter of fiscal 2008 was \$543,000 as compared to \$494,000 in the second quarter of fiscal 2007, an increase of \$49,000 or 9.9%. This increase



reflected an improvement in gross profit rate as a percentage of sales to 12.8% from 11.4% in the second quarter of fiscal 2007. Improved gross profit rates were evidenced in all product categories except parts and service.

Selling and administrative expenses for the second quarter of fiscal 2008 were \$2,635,000 as compared to \$2,144,000 in the second quarter of fiscal 2007, an increase of \$491,000 or 22.9%. This increase was primarily the result of higher legal and selling department costs.

Claims settlement costs consist of an accrual for an additional payment of \$250,000 to the U. S. Government under the aforementioned tentative settlement with the U. S. Navy.

	Selected Financial Data (unaudited)			
	Thirteen weeks ended		August 25, 2006	Variance
	August 24, 2007	August 24, 2007		
(amounts in thousands except per share information)				
<b>Sales:</b>				
Domestic	\$ 2,400	\$ 1,451	\$ 949	65.4%
US Government	79	152	(73)	(48.0%)
International	1,768	2,726	(958)	(35.1%)
<b>Total Sales</b>	<b>4,247</b>	<b>4,329</b>	<b>(82)</b>	<b>(1.9%)</b>
Gross Profit	543	494	49	9.9%
Selling, general and administrative expenses	2,635	2,144	(491)	(22.9%)
Claim settlement costs	250	—	(250)	na
Research and development	237	263	26	9.9%
Operating loss	(2,579)	(1,913)	(666)	(34.8%)
Interest expense, net	386	284	(102)	(35.9%)
Other expense, net	11	(43)	(54)	(125.6%)
Income taxes	—	4	4	100.0%
Minority interest	(6)	(10)	(4)	(40.0%)
<b>Net loss</b>	<b>\$ (2,970)</b>	<b>\$ (2,148)</b>	<b>\$ (822)</b>	<b>(38.3%)</b>
<b>Net loss per common share</b>	<b>\$ (0.34)</b>	<b>\$ (0.24)</b>	<b>\$ (0.10)</b>	<b>(41.7%)</b>

	Selected Financial Data (unaudited)			
	Twenty-six weeks ended		Variance	
	August 24, 2007	August 25, 2006	\$	%
(amounts in thousands except share and per share information)				
() = Unfavorable				
Sales:				
Domestic	\$ 4,841	\$ 3,216	\$ 1,625	50.5%
US Government	648	418	230	55.0%
International	3,105	5,270	(2,165)	(41.1)%
Total Sales	8,594	8,904	(310)	(3.5)%
Gross Profit	1,438	1,508	(70)	(4.6)%
Selling, general and administrative expenses	5,434	4,636	(798)	(17.2)%
Claim settlement costs	6,643	—	(6,643)	na
Research and development	291	486	195	40.1%
Operating loss	(10,930)	(3,614)	(7,316)	(202.4)%
Interest expense, net	740	566	(174)	(30.7)%
Other expense, net	41	7	(34)	(485.7)%
Income taxes	—	9	9	100.0%
Minority interest	(11)	(17)	(6)	(35.3)%
Net loss	\$ (11,700)	\$ (4,179)	\$ (7,521)	(180.0)%
Net loss per common share	\$ (1.32)	\$ (0.47)	\$ (0.85)	(180.9)%

William F. Mitchell, ETC's President and Chairman, stated, "The NASTAR Center officially opened for business October 4th, on the 50<sup>th</sup> anniversary of the launch of the Soviet satellite Sputnik, which initiated the space age. Over 100 invitees from all geographical areas and backgrounds attended the two-day event. Highlights included a visit by Buzz Aldrin, former astronaut and the second man to walk on the moon, presentations by Anousheh Ansari and Greg Olson, private space explorers, and visits by Dan Berry and Yvonne Cagle, NASA astronauts.

During the fiscal second quarter, ETC was awarded two very important and significant research contracts related to our NASTAR Center. Both the U. S. Navy and the U. S. Air Force ordered Tactical Aircraft Configuration Modules which are to be used with ETC's ATFS-400 Centrifuge. The ultimate goal of this research is to develop and validate a ground-based approach to tactical flight training under a high performance jet aircraft g-force environment. In

conjunction with our strategy to introduce our Authentic Tactical Fighting System to the militaries of the world, we formed the Defense Business Development Advisory Board which includes senior retired military officers.

New contract awards continued at a higher pace in our Sterilizer and Hyperbaric lines. In our PTS line, we hope to announce in the near future the award of two major contracts from international customers.”

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

Fax: **215-357-4000**

**ENVIRONMENTAL TECTONICS CORPORATION**  
**REPORTS RECEIPT OF NON-COMPLIANCE NOTICE FROM AMEX**

Southampton, PA: October 18, 2007 – *Environmental Tectonics Corporation* (AMEX: ETC) (“ETC” or the “Company”) today announced that it has received a letter from the American Stock Exchange (“AMEX”) that the Company was not in compliance with Sections 134 and 1101 of the AMEX Company Guide which requires timely filing with AMEX of all documents required to be filed with the Securities and Exchange Commission. As the Company disclosed in its Form 12b-25 filed on October 9, 2007, the Company’s Form 10-Q (“10-Q”) for the fiscal quarter ended August 24, 2007 was not able to be filed by October 9, 2007. The Company has also not been able to file its 10-Q within the 5-day extension period permitted by Rule 12b-25. The failure to file the 10-Q by October 15, 2007 has resulted in the non-compliance determination with Sections 134 and 1101 of the AMEX Company Guide. The Company previously reported on July 18, 2007 that it had received a similar letter of non-compliance from the AMEX as a result of the Company’s failure to file its Quarterly Report on Form 10-Q for the fiscal quarter ended May 25, 2007.

The non-compliance with Sections 134 and 1101 of the AMEX Company Guide makes the Company’s common stock subject to being delisted from the American Stock Exchange. In accordance with the procedures of the American Stock Exchange, the Company on October 15, 2007, published a press release noting its delay in the filing of its 10-Q and also announced preliminary results for the fiscal second quarter of fiscal 2008, which ended on August 24, 2007. The release of this information has allowed the Company’s stock to continue to be traded, subject to additional AMEX Company Guide requirements.

On August 14, 2007, the Company submitted a plan to the American Stock Exchange advising them of the actions that it intends to take to bring the Company into compliance with Sections 134 and 1101 of the AMEX Company guide by January 17, 2008. On September 24, 2007, the Company received notification from the AMEX that the Company’s plan to regain compliance had been accepted and that the Company’s listing would be continued until January 17, 2008.

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*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.*

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