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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**

**July 2, 2009**

**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 1.01. Entry into a Material Definitive Agreement.**

**Item 3.02. Unregistered Sale of Equity Securities.**

On April 24, 2009, Environmental Tectonics Corporation (“ETC” or the “Company”) entered into a transaction (the “Lenfest Financing Transaction”) with H.F. Lenfest (“Lenfest”) that provided for the following upon the satisfaction of certain conditions, including the receipt of the approval of the Company’s shareholders to certain components of the transaction (the “Shareholder Approvals”): (i) a \$7,500,000 credit facility provided by Lenfest to ETC; (ii) exchange of the Subordinated Note (as defined below) held by Lenfest, together with all accrued interest and warrants issuable under the Subordinated Note, and all Series B Preferred Stock (as defined below) and Series C Preferred Stock (as defined below) held by Lenfest, together with all accrued dividends thereon, for a new class of preferred stock, Series E Preferred Stock, of the Company; and (iii) the guarantee by Lenfest of all of ETC’s obligations to PNC Bank, National Association (“PNC Bank”) in connection with an increase of the existing \$15,000,000 revolving line of credit with PNC Bank (the “2007 PNC Credit Facility”) to \$20,000,000, and in connection with this guarantee, the pledge by Lenfest to PNC Bank of \$10,000,000 in marketable securities.

On July 2, 2009, the Company held its 2009 Annual Meeting of Shareholders, at which the Company obtained the Shareholder Approvals. As a result of obtaining the Shareholder Approvals, the Series E Exchange and increase of the 2007 PNC Credit Facility have been completed as more fully described below.

The description of the Lenfest Financing Transaction set forth in this Form 8-K is not complete and is qualified in its entirety by reference to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on April 27, 2009, and is incorporated herein by reference.

**Lenfest Credit Facility**

As part of the Lenfest Financing Transaction, the Company established a credit facility in the maximum amount of \$7,500,000 with Lenfest (the “Lenfest Credit Facility”). The Lenfest Credit Facility is to be used to finance certain government projects that ETC is seeking to be awarded (the “Projects”). The terms of the Lenfest Credit Facility are set forth in a Secured Credit Facility and Warrant Purchase Agreement between the Company and Lenfest, dated as of April 24, 2009 (the “Lenfest Credit Agreement”). In connection with the Lenfest Credit Agreement, the Company has executed, and will in the future execute, promissory notes in favor of Lenfest, in the aggregate principal amount of up to \$7,500,000 (the “Lenfest Credit Facility Note”). As a result of obtaining the Shareholder Approvals, each Lenfest Credit Facility Note issued under the Lenfest Credit Facility will accrue interest at the rate of 10% per annum (rather than the original interest rate of 15% per annum), payable in cash or, at the option of Lenfest, in shares of Series D Preferred Stock of the Company.

In connection with the execution of the Lenfest Credit Agreement on April 24, 2009, the Company was initially entitled to drawdown \$1,000,000 under the Lenfest Credit Agreement prior to obtaining the Shareholder Approvals and satisfying certain other conditions (the “Initial

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\$1 Million Loan”). In connection with obtaining the Shareholder Approvals, the Company entered into a letter agreement with Lenfest providing that the Company may drawdown the Initial \$1 Million Loan as part of the Lenfest Credit Facility without satisfying certain conditions (the “Lenfest Letter Agreement”). The foregoing description of Lenfest Letter Agreement is qualified in its entirety by reference to such agreement. The Lenfest Letter Agreement is filed as Exhibit 10.1 hereto and incorporated herein by reference.

### **Exchange of Existing Instruments for Series E Preferred Stock**

As part of the Lenfest Financing Transaction, the senior subordinated convertible promissory note (the “Subordinated Note”) in the original principal amount of \$10,000,000 issued by ETC to Lenfest on February 18, 2003, together with all accrued interest and warrants issuable pursuant to the terms of the Subordinated Note, and all Series B Cumulative Convertible Preferred Stock of the Company (the “Series B Preferred Stock”) and Series C Convertible Preferred Stock of the Company (the “Series C Preferred Stock”) held by Lenfest, together with all accrued dividends thereon, would be exchanged (the “Series E Exchange”) for shares of a newly-created class of Series E Convertible Preferred Stock of the Company (the “Series E Preferred Stock”).

On July 2, 2009, in connection with obtaining the Shareholder Approvals, the Company filed with the Department of State of the Commonwealth of Pennsylvania a Statement with Respect to Shares of Series E Convertible Preferred Stock creating a new class of preferred stock consisting of 25,000 shares and designated Series E Convertible Preferred Stock. Immediately thereafter, the Series E Exchange occurred and the Company issued 23,741 shares of Series E Preferred Stock to Lenfest. Such shares have a conversion price per share equal to \$2.00 and would convert into 11,870,500 shares of ETC Common Stock.

### **Increased PNC Bank Credit Facility and Issuance of New Guarantee**

On April 24, 2009, PNC Bank agreed to increase the amount of financing available under the 2007 PNC Credit Facility from \$15,000,000 to \$20,000,000 subject to the condition that Lenfest continues to personally guaranty all of ETC’s obligations to PNC Bank (the “Lenfest Guaranty”) and that Lenfest pledges \$10,000,000 in marketable securities as collateral security for his guaranty (the “Lenfest Pledge”). In connection with obtaining the Shareholder Approvals, the 2007 PNC Credit Facility was increased from \$15,000,000 to \$20,000,000 on July 2, 2009.

On July 2, 2009, ETC and PNC Bank entered into the Amended and Restated Credit Agreement (the “Amended and Restated PNC Credit Agreement”) and the Second Amended and Restated Reimbursement Agreement for Letters of Credit (the “Amended and Restated Reimbursement Agreement”). The promissory note executed by ETC in favor of PNC in connection with the 2007 PNC Credit Facility was cancelled and replaced with the Amended and Restated Promissory Note in the principal amount of \$20,000,000 (the “Amended and Restated PNC Note”). Lenfest executed and delivered to PNC Bank the following agreements: (i) an Amended and Restated Guaranty Agreement, which replaced the Restated Guaranty executed by Lenfest in connection with the 2007 PNC Credit Facility (the “Amended and Restated Guaranty”), (ii) a Pledge Agreement, pursuant to which Lenfest made the Lenfest Pledge, and

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(iii) a Notification and Control Agreement. These agreements, together with the Amended and Restated PNC Credit Agreement, the Amended and Restated Reimbursement Agreement and the Amended and Restated PNC Note are collectively referred to herein as the “2009 PNC Financing Documents”.

In connection with the execution of the 2009 PNC Financing Documents, ETC paid to Lenfest an origination fee of 100 shares of Series D Preferred Stock, which is equal to 1% of the market value of the Lenfest Pledge (\$100,000). Such shares have a conversion price per share equal to \$1.11, which price equals the average closing price of ETC common stock during the 120 days prior to the issuance of such shares, and would convert into 90,090 shares of ETC common stock. In consideration of Lenfest entering into the Amended and Restated Guaranty, ETC issued to Lenfest warrants to purchase 450,450 shares of ETC common stock, which shares equal 10% of the amount of the \$5,000,000 increase under the 2007 PNC Bank Credit Facility. The warrants are exercisable for seven years following issuance at an exercise price per share equal to \$1.11, which price equals the average closing price of ETC common stock during the 120 days prior to the issuance of the warrant.

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

On July 2, 2009, ETC issued a press release announcing its financial results for the first fiscal quarter of 2010, which ended on May 29, 2009. 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On June 9, 2009, as a condition to the closing of the Lenfest Financing Transaction, the Company entered into an amendment to the Employment Agreement (the “Employment Agreement”), dated as of November 1, 2005, by and between the Company and Duane D. Deaner (the “Employment Agreement Amendment”). Pursuant to the Employment Agreement Amendment, the Company and Mr. Deaner agreed to remove a provision permitting Mr. Deaner to terminate the Employment Agreement upon the occurrence of a change of control. The foregoing description of the Employment Agreement Amendment is qualified in its entirety by reference to such agreement. The Employment Agreement Amendment is filed as Exhibit 10.2 hereto and incorporated herein by reference.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On July 2, 2009, in connection with the closing of the Lenfest Financing Transaction, the Company filed with the Department of State of the Commonwealth of Pennsylvania an Amendment to the Articles of Incorporation increasing the number of authorized shares of common stock from 20,000,000 to 50,000,000. As stated above, on July 2, 2009, the Company also filed with the Department of State of the Commonwealth of Pennsylvania a Statement with Respect to Shares of Series E Convertible Preferred Stock creating a new class of preferred stock consisting of 25,000 shares and designated Series E Convertible Preferred Stock.

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**Item 8.01. Other Events.**

On July 2, 2009, the Company held its 2009 Annual Meeting of Shareholders. The following actions were taken:

1. The shareholders elected William F. Mitchell, George K. Anderson, M.D., H. F. Lenfest, Stephen F. Ryan and George A. Sawyer to the Board of Directors of the Company pursuant to the vote set forth below.

Director	Votes For	Votes Withheld
William F. Mitchell	9,246,484	293,793
George K. Anderson, M.D.	9,234,582	305,695
H. F. Lenfest	9,251,061	289,216
Stephen F. Ryan	9,245,604	294,673
George A. Sawyer	9,244,604	295,673

2. The shareholders voted to approve the Company's 2009 Employee, Director and Consultant Stock Plan by a vote of 7,862,000 shares for, 284,483 shares against and 12,035 shares abstaining.

3. The shareholders voted to approve an amendment to the Company's Articles of Incorporation to increase the number of authorized shares of common stock of the Company from 20,000,000 to 50,000 by a vote of 7,411,720 shares for, 558,067 shares against and 8,730 shares abstaining.

4. The shareholders voted to approve the Series E Exchange by a vote of 7,891,831 shares for, 263,376 shares against and 3,311 shares abstaining.

5. The shareholders voted to approve the restoration of the voting rights of certain securities currently held by or issuable to H. F. Lenfest as part of the Lenfest Financing Transaction by a vote of 7,897,895 shares for, 248,537 shares against and 12,086 shares abstaining. This proposal was approved by both (i) a majority of the votes that all shareholders are entitled to cast and (ii) a majority of the votes that all shareholders, other than William F. Mitchell, H. F. Lenfest and Duane D. Deaner, are entitled to cast, in accordance with the Pennsylvania Business Corporation Law.

A copy of the Company's press release announcing the voting results of the Annual Shareholders Meeting and the closing of the Lenfest Financing Transaction is attached 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 filed herewith:

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- 3.1 Statement with Respect to Shares of Series E Convertible Preferred Stock filed on July 2, 2009.
- 3.2 Amendment to Articles of Incorporation of the Company filed on July 2, 2009.
- 10.1 Letter Agreement relating to \$1 Million Loan, dated July 2, 2009, by and between the Company and Lenfest.
- 10.2 First Amendment to Executive Employment Agreement, dated June 9, 2009, by and between the Company and Duane D. Deaner.
- 99.1 Press Release dated July 2, 2009.
- 99.2 Press Release dated July 6, 2009.

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.

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SIGNATURES

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

ENVIRONMENTAL TECTONICS CORPORATION  
Registrant

Date: July 6, 2009

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

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- 99.1 Press Release dated July 2, 2009.
- 99.2 Press Release dated July 6, 2009.

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

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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, acting through its Audit Committee, intends to establish a new series of Preferred Stock, called Series E 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 E Preferred Stock be and hereby are set forth below:

1. Designation. The designation of this series, which consists of 25,000 shares of Preferred Stock, \$0.05 par value per share, is the Series E Convertible Preferred Stock (the “*Series E 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.

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“**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 E Preferred Stock, \$2.00, provided that such Conversion Price shall be subject to adjustment as provided herein.

### 3. Dividends.

(a) Accruing Dividends. From and after the date any shares of Series E Preferred Stock are issued, the holder of any issued and outstanding shares of Series E Preferred Stock (each a “**Holder**” and collectively, the “**Holder**s”) 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 E Preferred Stock (the “**Accruing Dividends**”) in preference to the holders of Common Stock or any other series of Preferred Stock issued by the Corporation after the date hereof and *pari passu* to the holders of the Series D Preferred Stock of the Corporation (the “**Series D Preferred Stock**”). The Accruing Dividends shall accrue on each issued and outstanding share of Series E Preferred Stock from the date such share was issued, from day to day, whether or not earned or declared, and shall compound annually and be cumulative. The Corporation shall only pay the Holder the Accruing Dividends upon a Liquidation Event (as hereinafter defined) or when otherwise declared by the Board of Directors of the Corporation.

(b) The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Articles of Incorporation) the holders of the Series E Preferred Stock then outstanding shall first receive a dividend on each outstanding share of Series E Preferred Stock in an amount at least equal to the amount of the aggregate Accruing Dividends then accrued on such share of Series E Preferred Stock and not previously paid.

(c) 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 E 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 E Preferred Stock were converted by the Holder on the record date.

#### 4. Conversion.

(a) Conversion at the Option of the Holder. Each Holder may, at any time and from time to time, convert (an “**Optional Conversion**”) each of its shares of Series E Preferred Stock plus all accrued but unpaid Accruing Dividends into a number of fully paid and nonassessable shares of the Common Stock determined by dividing the Stated Value plus the aggregate amount of the Accruing Dividends by the Conversion Price for such shares of Series E 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 E Preferred Stock being converted (the “**Series E 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 Series E 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 Series E Preferred Stock Certificates have been lost, stolen or destroyed and delivers the documentation to the Corporation required by Section 10(b) hereof.

(i) Delivery of Common Stock Upon Conversion. Upon the surrender of Series E Preferred Stock Certificates accompanied by a Notice of Conversion, the Corporation shall, no later than the later of (a) the third (3<sup>rd</sup>) business day following the Conversion Date and (b) the (2<sup>nd</sup>) 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 10(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 E Preferred Stock and Accruing Dividends being converted and (y) a certificate representing the number of shares of Series E Preferred Stock not being converted, if any. 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 E 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 E 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.

5. Rank. The Series E Preferred Stock shall rank (i) prior to the Common Stock; (ii) prior to the Series B Preferred Stock; (iii) prior to the Series C Preferred Stock; (iv) 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 E Preferred Stock (collectively with the Common Stock, the Series B Preferred Stock and the Series C Preferred Stock, "**Junior Securities**"); (v) *pari passu* with the Series D 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 D Preferred Stock and Series E Preferred Stock (the "**Pari Passu Securities**"); and (vi) junior to any class or series of capital stock of the Corporation hereafter created that, by its terms, ranks senior to the Series E 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

E Preferred Stock then outstanding. Any acquisition of the Corporation by means of a merger or other form of corporate reorganization approved by the Board of Directors of the Corporation 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 of a transaction or series of related transactions approved by the Board of Directors of the Corporation in which more than 50% of the voting power is disposed of or the sale, lease or other disposition of all or substantially all of the assets of the Corporation, shall be deemed a Liquidation Event unless the holders of a majority of the outstanding shares of Series E Preferred Stock elect to the contrary; such election to be made by giving written notice thereof to the Corporation at least three (3) days before the closing of such event. For clarification, none of the transactions described in the preceding sentence shall be deemed a Liquidation Event unless any such transaction is approved by the Board of Directors of the Corporation. 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 E 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 E 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 E 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 of Common Stock, Series E 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 E 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 E 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 E 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 E 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 E 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 E 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) Adjustment Due to New Issuances of Equity Securities Below the Conversion Price.

(i) *Weighted Average Anti-Dilution Formula.*

(A) If the Corporation issues, after the date hereof (the “**Effective Date**”), any Additional Stock (as defined below) without consideration or for a consideration per share less than the Conversion Price for the Series E Preferred Stock in effect immediately prior to the issuance of such Additional Stock, the Conversion Price for the Series E Preferred Stock in effect immediately prior to each such issuance shall forthwith (except as otherwise provided in this Section 7(c)(i)) be reduced to a price determined in accordance with the following formula:

$$CP2 = CP1 * (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(1) “CP2” shall mean the Conversion Price for the Series E Preferred Stock in effect immediately after such issue of Additional Stock

(2) “CP1” shall mean the Conversion Price of the Series E Preferred Stock in effect immediately prior to such issue of Additional Stock;

(3) “A” shall mean the number of shares of Common Stock actually outstanding immediately prior to such issuance of Additional Stock (excluding shares of Common Stock issuable on conversion or exercise of preferred stock, convertible promissory notes, options, warrants and other options to purchase or rights to subscribe for such convertible or exchangeable securities);

(4) “B” shall mean the number of additional shares of Common Stock that would have been issued if such Additional Stock had been issued at a price per share equal to CP1 (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP1); and

(5) “C” shall mean the number of such Additional Stock issued in such transaction.

(B) No adjustment of the Conversion Price for any series of Series E Preferred Stock will be made in an amount less than one cent per share, provided that any adjustments that are not required to be made by reason of this sentence will be carried forward and shall be either taken into account in any subsequent adjustment made prior to three (3) years from the date of the event giving rise to the adjustment being carried forward, or will be made at the end of three (3) years from the date of the event giving rise to the adjustment being carried forward. Except to the limited extent provided for in Sections 7(c)(i)(E)(3) and 7(c)(i)(E)(4), no adjustment of such Conversion Price pursuant to this Section 7(c)(i) shall have the effect of increasing the Conversion Price above the Conversion Price in effect immediately prior to such adjustment.

(C) In the case of the issuance of Common Stock for cash, the consideration will be deemed to be the amount of cash paid therefor before deducting any reasonable discounts, commissions or other expenses allowed, paid or incurred by the Corporation for any underwriting or otherwise in connection with the issuance and sale thereof.

(D) In the case of the issuance of Common Stock for a consideration in whole or in part other than cash, the consideration other than cash will be deemed to be the fair value thereof as determined in good faith by the Board of Directors irrespective of any accounting treatment.

(E) In the case of the issuance (whether before, on or after the Effective Date) of warrants, options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock or warrants, options to purchase or rights to subscribe for such convertible or exchangeable securities, the following provisions will apply for all purposes of this Section 7(c)(i) and Section 7(c)(ii):

(1) The aggregate maximum number of shares of Common Stock deliverable upon exercise (to the extent then exercisable) of such warrants, options to purchase or rights to subscribe for Common Stock will be deemed to have been issued at the time such warrants, options or rights were issued and for a consideration equal to the

consideration (determined in the manner provided in Sections 7(c)(i)(C) and 7(c)(i)(D)), if any, received by the Corporation upon the issuance of such warrants, options or rights plus the minimum exercise price provided in such warrants, options or rights the Common Stock covered thereby.

(2) The aggregate maximum number of shares of Common Stock deliverable upon conversion of, or in exchange (to the extent then convertible or exchangeable) assuming the satisfaction of any conditions to convertibility or exchangeability, including, without limitation, the passage of time, for any such convertible or exchangeable securities or upon the exercise of options to purchase or rights to subscribe for such convertible or exchangeable securities and subsequent conversion or exchange thereof will be deemed to have been issued at the time such securities were issued or such options or rights were issued and for a consideration equal to the consideration, if any, received by the Corporation for any such securities and related options or rights (excluding any cash received on account of accrued interest or accrued dividends), plus the minimum additional consideration, if any, to be received by the Corporation upon the conversion or exchange of such securities or the exercise of any related options or rights (the consideration in each case to be determined in the manner provided in Sections 7(c)(i)(C) and 7(c)(i)(D)).

(3) In the event of any change in the number of shares of Common Stock deliverable or in the consideration payable to the Corporation upon exercise of such options or rights or upon conversion of or in exchange for such convertible or exchangeable securities, including, but not limited to, a change resulting from the antidilution provisions thereof, the Conversion Price of the Series E Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities, will be recomputed to reflect such change, but no further adjustment will be made for the actual issuance of Common Stock or any payment of such consideration upon the exercise of any such options or rights or the conversion or exchange of such securities.

(4) Upon the expiration of any such options or rights, the termination of any such rights to convert or exchange or the expiration of any options or rights related to such convertible or exchangeable securities, the Conversion Price of the Series E Preferred Stock, to the extent in any way affected by or computed using such options, rights or securities or options or rights related to such securities, will be recomputed to reflect the issuance of only the number of shares of Common Stock (and convertible or exchangeable securities that remain in effect) actually issued upon the exercise of such options or rights, upon the conversion or exchange of such securities or upon the exercise of the options or rights related to such securities.

(5) The number of shares of Common Stock deemed issued and the consideration deemed paid therefor pursuant to Sections 7(c)(i)(E)(1) and 7(c)(i)(E)(2) will be appropriately adjusted to reflect any change, termination or expiration of the type described in either Section 7(c)(i)(E)(3) or 7(c)(i)(E)(4).

(ii) *Definition of Additional Stock.* “**Additional Stock**” means any shares of Common Stock issued (or deemed to have been issued pursuant to Section 7(c)(i)(E)) by the Corporation after the date hereof other than:

(a) shares of Common Stock issued pursuant to a transaction described in Section 7(a) hereof;

(b) shares of Common Stock issued or issuable to any employee, officer, director, consultant or advisor of the Corporation for services provided to the Corporation directly or pursuant to any employee benefit plan which has been approved by the Board of Directors of the Corporation, so long as the total number of shares of Common Stock so issued or issuable (and not repurchased at cost by the Corporation in connection with the termination of employment or other provision of services to the Corporation and not subject to options that expire unexercised) does not exceed 1,366,890 shares;

(c) shares of Common Stock issued or issuable pursuant to a bona fide firm commitment underwritten public offering with a nationally recognized underwriter that generates gross proceeds in excess of \$30,000,000 and that is approved by the Board of Directors of the Corporation, including the Series E Director Nominee;

(d) shares of Common Stock issued pursuant to the conversion, exchange or exercise of convertible or exercisable securities outstanding as of the date hereof or subsequently issued pursuant to this Section 7(c)(ii);

(e) shares of Common Stock issued or issuable in connection with a bona fide business acquisition of or by the Corporation, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise that is approved by the Board of Directors of the Corporation, including the Series E Director Nominee;

(f) shares of Common Stock issuable upon conversion of any shares of Series E Preferred Stock;

(g) shares of Common Stock issuable upon conversion of any shares of any sub-series of Series D Preferred Stock issued in payment of fees or interest under that certain Secured Credit Facility and Warrant Purchase Agreement dated as of April 24, 2009, by and between the Corporation and H.F. Lenfest (the "**Purchase Agreement**");

(h) shares of Common Stock issuable upon exercise of those certain warrants to purchase common stock issued or issuable in connection with the transactions contemplated by the Purchase Agreement; or

(i) shares of Common Stock issued pursuant to a transaction in which the Conversion Price adjustments set forth in this Section 7(c) are waived by the holders of at least a majority of the then outstanding shares of Series E Preferred Stock.

(d) 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.

(a) General. 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 E 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 E 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 E Preferred Stock shall constitute the approval of such action by the class.

(b) Election of Directors. So long as any shares of Series E Preferred Stock remain outstanding, the Board of Directors will consist of five (5) members, one of which shall be the Chief Executive Officer, or similar position, of the Corporation and one of which shall be nominated by the holders of shares of Series E Preferred Stock, voting separately as a single class (the “*Series E Director Nominee*”), which director may be removed from office, and any vacancy caused by the resignation, death or removal of the Series E Director Nominee shall be filled by the holders of a majority of the then outstanding shares of Series E Preferred Stock.

9. Protective Provisions. So long as any of the shares of Series E 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 E Preferred Stock (i) amend the rights, preferences or privileges of the Series E Preferred Stock set forth in this Statement With Respect to Shares; (ii) create any new class or series of capital stock that would constitute Senior Securities or Pari Passu 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 consultants approved by the Board of Directors); (iv) amend, alter or repeal any provision of the Articles of Incorporation or Bylaws of the Corporation; (v) effect 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 or 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; (vii) increase or decrease the authorized number of directors constituting the Board of Directors; (viii) decrease the number of authorized shares of Preferred Stock; (ix) redeem or offer to redeem any shares of Series E Preferred Stock; (x) authorize or effect a transaction in which the Corporation would incur any debt secured by the assets of the Corporation or amend its current secured debt facility; or (xi) enter into any transaction, other than employment or consulting agreements in the ordinary course of business on a basis consistent with past practices, with any officer, director or beneficial owner of five percent (5%) or more of the Common Stock or any affiliate of the foregoing. 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 if such series would constitute Junior Securities, 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.

10. Miscellaneous.

(a) Cancellation of Series E Preferred Stock. If any shares of Series E 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 E Preferred Stock.

(b) Lost or Stolen Certificates. Upon receipt by the Corporation of (i) evidence of the loss, theft, destruction or mutilation of any Series E 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 Series E Preferred Stock Certificate(s), the Corporation shall execute and deliver new Series E Preferred Stock Certificate(s) of like tenor and date. However, the Corporation shall not be obligated to reissue such lost or stolen Series E Preferred Stock Certificate(s) if the Holder contemporaneously requests the Corporation to convert such Series E Preferred Stock.

(c) Status as Shareholder. Upon submission of a Notice of Conversion by a Holder, (i) the shares covered thereby 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 E 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 E 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 25,000 shares.

**FOURTH:** The resolution was adopted by the Audit Committee of the Board of Directors effective as of April 23, 2009.

**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 2nd day of July, 2009.

ENVIRONMENTAL TECTONICS CORPORATION,  
a Pennsylvania corporation

By: /s/ Duane D. Deaner

Name: Duane D. Deaner

Title: Chief Financial Officer

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**NOTICE OF CONVERSION**

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

The undersigned hereby irrevocably elects to convert \_\_\_\_\_ shares of Series E Preferred Stock, represented by stock certificate No(s). \_\_\_\_\_ (the "**Series E 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 E Convertible 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 Series E 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 E 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: \_\_\_\_\_  
\_\_\_\_\_



6. *Check one of the following:*

- The amendment was adopted by the shareholders or members pursuant to 15 Pa.C.S. § 1914(a) and (b) or § 5914(a).
- The amendment was adopted by the board of directors pursuant to 15 Pa. C.S. § 1914(c) or § 5914(b).

7. *Check, and if appropriate, complete one of the following:*

- The amendment adopted by the corporation, set forth in full, is as follows

\_\_\_\_\_

- The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. *Check if the amendment restates the Articles:*

- The restated Articles of Incorporation supersede the original articles and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Amendment to be signed by a duly authorized officer thereof this  
2nd day of July, 2009.

Environmental Tectonics Corporation

Name of Corporation

/s/ Duane Deaner

Signature

Duane Deaner, Chief Financial Officer

Title

**Exhibit A**

Article 6 of the corporation's Articles of Incorporation are hereby deleted in their entirety and replaced with the following:

"ARTICLE 6. The aggregate number of shares of capital stock which the Corporation shall have authority to issue is 51,000,000 shares, divided into two classes consisting of 50,000,000 shares of common stock having a par value of \$.05 per share ("Common Stock") and 1,000,000 shares of preferred stock having a par value of \$.05 per share ("Preferred Stock").

The Preferred Stock may be issued from time to time as a class without series or, if so determined by the Board of Directors of the Corporation, either in whole or in part, in one or more series. There is hereby expressly granted to and vested in the Board of Directors of the Corporation authority to fix and determine (except as fixed and determined herein), by resolution, the par value, voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, if any, and the qualifications, limitations or restrictions thereof, if any, including specifically, but not limited to, the dividend rights, conversion rights, redemption rights and liquidation preference, if any, of any wholly unissued series of Preferred Stock (or the entire class of Preferred Stock if none of such shares have been issued), the number of shares constituting any such series and the terms of the conditions of the issue thereof. Prior to the issuance of any shares of Preferred Stock, a statement setting forth a copy of each such resolution or resolutions and the number of shares of Preferred Stock of each such class or series shall be executed and filed in accordance with the Pennsylvania Business Corporation Law of 1988, as amended. Unless otherwise provided in any such resolution or resolutions, the number of shares of capital stock of any such class or series so set forth in such resolution or resolutions may thereafter be increased or decreased (but not below the number of shares then outstanding), by a statement likewise executed and filed setting forth a statement that a specified increase or decrease therein had been authorized and directed by a resolution or resolutions likewise adopted by the Board of Directors of the corporation. In case the number of such shares shall be decreased, the number of shares so specified in the statement shall resume the status they had prior to the adoption of the first resolution or resolutions."

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<b>BUREAU USE ONLY:</b>	
<input type="checkbox"/> Revenue	<input type="checkbox"/> Labor & Industry
<input type="checkbox"/> Other _____	
File Code _____	Filed Date _____

**Part I. Complete for each filing:**

Current name of entity or registrant ( <i>survivor or new entity if merger or consolidation</i> ): Environmental Tectonics Corporation			
Entity number, if known:	<input type="text" value="111590"/>	Incorporation/qualification date in PA:	<input type="text" value="8/11/1969"/>
State of Inc:	<input type="text" value="PA"/>	Federal EIN:	<input type="text"/>
Specified effective date, if any:		<input type="text"/>	

**Part II. Check proper box:**

<input checked="" type="checkbox"/> Amendment (complete Section A)	<input type="checkbox"/> Merger, Consolidation or Division (complete Section B,C or D)
<input type="checkbox"/> Consolidation (complete Section C)	<input type="checkbox"/> Division (complete Section D)
<input type="checkbox"/> Conversion (complete Section A & E)	<input type="checkbox"/> Correction (complete Section A)
<input type="checkbox"/> Termination (complete Section H)	<input type="checkbox"/> Revival (complete Section G)
<input type="checkbox"/> Dissolution before Commencement of Business (complete Section F)	

<input checked="" type="checkbox"/> <b>Section A - Check box(es) which pertain to changes:</b>	
<input type="checkbox"/> Name: _____	
<input type="checkbox"/> Registered Office: Number & street/RD number & box number City State Zip County	
<input type="checkbox"/> Purpose: _____	
<input checked="" type="checkbox"/> Stock (aggregate number of share authorized): 51,000,000	<input type="checkbox"/> Effective date: _____.
<input type="checkbox"/> Term of Existence: _____	<input type="checkbox"/> Other: _____.

<input type="checkbox"/> <b>Section B — Merger</b> Complete Section A if any changes to surviving entity:		
Merging Entities are: ( <i>attach sheet for additional merging entities</i> )		
Name:		Entity #, if known:
Effective date:	Inc./qual. date in PA.	State of Inc.
Name:		Entity #, if known:
Effective date:	Inc./qual. date in PA.	State of Inc.

**Section C — Consolidation**

Consolidating Entities are: *(attach sheet for additional consolidating entities)*

Name:

\_\_\_\_\_  
Entity #, if known: Inc./qual. date in PA. State of Inc.

Name:

\_\_\_\_\_  
Entity #, if known: Inc./qual. date in PA. State of Inc.

**Section D — Division**

Forming new entity(s) named below: *(attached sheet for additional entities)*

Name:

Entity Number:

\_\_\_\_\_  
Name: Entity Number:

Check one:  Entity named in Part I survives. (any changes, complete Section A)

Entity named in Part I does not survive.

**Section E — Conversion** *(complete Section A)*

Check one:  Converted from nonprofit to profit  Converted from profit to nonprofit

**Section F — Dissolved by Shareholders or Incorporators Before Commencement of Business**

**Section G — Statement of Revival** *(complete Section A for any changes to revived entity)*

Entity named in Part I hereby revives its charter or articles which were forfeited by Proclamation or expired.

**Section H — Statement of Termination** *(attach sheet for additional entities involved)*

\_\_\_\_\_ filed in the Department of State on \_\_\_\_\_ is/are hereby terminated.  
(type of filing made) month/date/year hour, if any

If merger, consolidation or division, list all entities involved, other than that listed in Part I:

Name:

Entity number:

\_\_\_\_\_  
Name: Entity number:

\_\_\_\_\_  
Name: Entity number:

Environmental Tectonics Corporation  
125 James Way  
County Line Industrial Park  
Southampton, PA 18966

July 2, 2009

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

Dear Mr. Lenfest:

Reference is made to the Secured Credit Facility and Warrant Purchase Agreement, dated as of April 24, 2009 (the "Purchase Agreement"), by and between Environmental Tectonics Corporation ("ETC") and H.F. Lenfest. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Purchase Agreement. The terms of this letter agreement amend certain terms of the Purchase Agreement. To the extent there is any inconsistency between the terms of this letter agreement and the terms of the Purchase Agreement, the terms of this letter agreement shall control.

1. Section 2.1(b) of the Purchase Agreement. Section 2.1(b) of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"(b) The Borrower has duly authorized the issuance and sale to the Lender of, and the Lender has agreed to purchase subject to the terms and conditions of this Agreement, on the Initial Closing Date, the Borrower's Senior Secured Subordinated Note in the original principal amount of \$1,000,000 (the "**Initial Note**") to be substantially in the form attached hereto as Exhibit A-1, such Initial Note to have a maturity date that is the earlier of three (3) years from the date of issuance thereof and December 31, 2012 and an interest rate of 10% per annum."

2. Section 2.6 of the Purchase Agreement. Section 2.6 of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"The Closing. Delivery of and payment for the Initial Securities (the "**Initial Closing**") shall be made at the offices of Royer & Associates, LLC, 681 Moore Road, Suite 321, King of Prussia, Pennsylvania, commencing at 10:00 a.m., local time, on any Business Day upon at least five (5) Business Days prior written notice to the Lender, or at such place or on such other date as may be mutually

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agreeable to the Borrower and the Lender. The date and time of the Initial Closing as finally determined pursuant to this Section 2.6 shall be referred to herein as the "**Initial Closing Date**"; provided, however, the Initial Closing Date shall be no later than December 31, 2010. On each Closing Date following the Initial Closing Date, delivery of and payment for the Securities at each Closing shall be made at a place and time as mutually agreed upon by the Borrower and the Lender."

3. Section 3.2 of the Purchase Agreement. Section 3.2 of the Purchase Agreement is hereby amended and restated in its entirety to read as follows:

"Repayment of the Initial Note. The Borrower covenants and agrees to repay to the Lender the unpaid principal balance of, together with all accrued and unpaid interest, fees and other amounts due on, the Initial Note no later than the date that is the earlier of three (3) years after the date of issuance of the Initial Note and December 31, 2012 (such date, the "**Initial Note Maturity Date**")."

4. Exhibit A-1 of the Purchase Agreement. Exhibit A-1 of the Purchase Agreement is hereby replaced with the Exhibit A-1 attached hereto.

5. Exhibit B-1 of the Purchase Agreement. Exhibit B-1 of the Purchase Agreement is hereby replaced with the Exhibit B-1 attached hereto.

If you are in agreement with the foregoing, please execute and return a copy of this letter agreement to the undersigned, at which time it will become a binding agreement upon the parties hereto.

Very truly yours,

**ENVIRONMENTAL TECTONICS  
CORPORATION**

By: /s/ Duane D. Deaner

Name: Duane D. Deaner

Title: Chief Financial Officer

Accepted and agreed to on  
this 2nd day of July, 2009.

/s/ H.F. Lenfest

H.F. Lenfest

**FIRST AMENDMENT TO  
EXECUTIVE EMPLOYMENT AGREEMENT**

This First Amendment (the "First Amendment") to the Executive Employment Agreement (the "Agreement"), first entered into by and between Environmental Tectonics Corporation, a Pennsylvania corporation (the "Company"), and Duane D. Deaner ("Executive") on November 1, 2005, is made and entered into as of this 9th day of June, 2009, by the Company and Executive. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Agreement.

WITNESSETH:

WHEREAS, H.F. Lenfest, a director and current shareholder of the Company ("Lenfest"), proposes to make certain credit facilities available to the Company;

WHEREAS, as a condition to Lenfest providing such credit facilities to the Company, Lenfest requires that Executive amend the provisions of the Agreement applicable to a Change of Control (as defined in the Agreement) as more fully set forth herein;

WHEREAS, the Company and Executive desire to amend the Agreement as set forth below; and

WHEREAS, such amendments have been incorporated into this First Amendment.

NOW, THEREFORE, in consideration of the promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound thereby, the parties agree as follows:

1. Consideration. As consideration for entering into this First Amendment, the Company shall pay Executive a one-time payment in the amount of \$8,000 simultaneously with the execution in full of this First Amendment, which such amount shall be subject to all applicable withholdings in accordance with the Company's customary payroll practices.

2. Amendment. Section 4(e) of the Agreement is hereby amended so that the last sentence of Section 4(e) (which currently provides as follows: "Notwithstanding anything herein to the contrary, at the election of Executive, beginning one hundred eighty-one (181) days following a Change in Control and continuing through the first anniversary of such Change in Control, Executive may terminate his employment upon thirty (30) days written notice for any reason or no reason and such termination will be treated as having occurred for Good Reason.") is deleted in its entirety and struck from the Agreement.

3. Confirmation of Agreement. Except as amended hereby, all other terms of the Agreement shall remain in full force and effect.

4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania as interpreted by the courts of

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the Commonwealth of Pennsylvania, notwithstanding any rules regarding choice of law to the contrary.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which together shall be deemed to be an original as against any party whose signature appears thereon, and all of such shall together constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

**IN WITNESS WHEREOF**, the parties hereto have executed this First Amendment to the Executive Employment Agreement as of the day and year first written above.

**EXECUTIVE:**

/s/ Duane D. Deaner

Name: Duane D. Deaner

**THE COMPANY:**

ENVIRONMENTAL TECTONICS CORPORATION

By: /s/ William F. Mitchell

William F. Mitchell

President

**ENVIRONMENTAL TECTONICS CORPORATION  
ANNOUNCES FIRST QUARTER FISCAL 2010 RESULTS**

Southampton, PA, USA. July 2, 2009 — Environmental Tectonics Corporation (OTC Bulletin Board: ETCC) (“ETC” or the “Company”) today announced financial results for the first quarter of fiscal 2010 which ended on May 29, 2009.

**Net Income**

The Company had net income of \$770,000 or \$0.06 per share (basic and diluted), during the first quarter of fiscal 2010 compared to a net loss of \$(1,491,000), or \$(0.19) per share (basic and diluted), for the first quarter of fiscal 2009, representing an improvement of \$2,261,000. The improvement reflected a significant increase in gross profit (despite slightly reduced sales performance) coupled with lower selling, general and administrative as well as research and development expenses. Acting as partial offsets were higher interest and other expenses.

The company also had earnings before interest, taxes, depreciation and amortization expense (“EBITDA”) of \$1,853,000 for the first quarter of fiscal 2010 versus a negative EBITDA of \$(499,000) for the first quarter of fiscal 2009.

**Sales**

Sales for the first quarter of fiscal 2010 were \$9,581,000 as compared to \$9,975,000 for the first quarter of fiscal 2009, a slight decrease of \$394,000 or 3.9%. As the table below indicates, significant increases were realized in the U.S. Government and International categories but were offset by a decline in domestic sales.

**Domestic Sales**

Domestic sales in the first quarter of fiscal 2010 were \$1,959,000 as compared to \$5,322,000 in the first quarter of fiscal 2009, a decrease of \$3,363,000 or 63.2%, reflecting significant decreases in all Control Systems Group product areas. Environmental products (down \$1,502,000, 80.1%), hyperbaric products (down \$631,000, 50.1%) and sterilizer products (down \$1,485,000, 87.2%) all reflected the impact of the economic downturn. Environmental products, whose domestic commercial market is primarily automotive, suffered from the severe contraction of the three major U.S. car manufacturers. Hyperbaric and sterilizer performance reflected the restriction of liquidity in the economy for new projects or capital expansion. Domestic sales represented 20.4% of the Company’s total sales in the first quarter of fiscal 2010, as compared to 53.4% for the first quarter of fiscal 2009.

U.S. Government sales in the first quarter of fiscal 2010 were \$1,836,000 as compared to \$991,000 in the first quarter of fiscal 2009, an increase of \$845,000, 85.3%, and represented 19.2% of total sales in the first quarter of fiscal 2010 versus 9.9% for the first quarter of fiscal 2009. Significant increases were evidenced in the environmental line on a chamber contract with the U.S. Army and aircrew training system sales primarily due to a large U.S. Navy disorientation device contract.

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## **International Sales**

International sales for the first quarter of fiscal 2010, which include sales in the Company's Polish subsidiary, were \$5,786,000 as compared to \$3,662,000 in the first quarter of fiscal 2009, an increase of \$2,124,000 or 58.0%, and represented 60.4% of total sales, as compared to 36.7% in the first quarter of fiscal 2009. Favorable international performance reflected higher simulation sales (up \$1,136,000), and higher aircrew training systems sales (up \$747,000, 26.8%), both primarily for contracts in the Middle East.

## **Gross Profit**

Gross profit for the first quarter of fiscal 2010 was \$4,427,000 as compared to \$2,495,000 in the first quarter of fiscal 2009, an increase of \$1,932,000 or 77.4%, despite slightly reduced sales. As a percentage of revenues, gross profit for the first quarter of fiscal 2010 was 46.2% compared to 25.0% for the same period a year ago. The gross margin dollar increase followed the sales increase in both governmental and international sales partially offset by the reduction in domestic sales. Higher gross margin tracked with the higher sales performance in U.S. governmental environmental and aircrew training systems product sales and international simulation and aircrew training systems product sales. Favorable gross profit rates as a percentage of revenues were evidenced in all geographic categories with domestic up 8.1 percentage points, U.S. Government up 21.9 percentage points, and international up 29.7 percentage points. Product-wise, the primary contributor to the rate increase was favorable rates on international aircrew training products.

## **Selling and Administrative Expenses**

Selling and administrative expenses for the first quarter of fiscal 2010 were \$2,856,000 as compared to \$3,313,000 in the first quarter of fiscal 2009, a decrease of \$457,000 or 13.8%. The decrease primarily reflected legal costs as the prior period included a reserve for a potential legal settlement. Acting as partial offsets were increased commissions and bad debt expense.

## **Research and Development Expenses**

Research and development expenses, which are charged to operations as incurred, were \$228,000 for the first quarter of fiscal 2010 as compared to \$295,000 for the first quarter of fiscal 2009. The reduction reflected higher government grants in the Company's Turkish subsidiary in the current quarter coupled with lower development in the environmental division. Most of the Company's research efforts, which were and continue to be a significant cost of its business, are included in cost of sales for applied research for specific contracts, as well as research for feasibility and technology updates.

## **Interest Expense**

Interest expense for the first quarter of fiscal 2010 was \$516,000 as compared to \$436,000 for the first quarter of fiscal 2009, representing an increase of \$80,000 or 18.3%. This increase reflected higher interest expense on a higher average loan balance (up approximately \$4,000,000 from quarter to quarter) and higher amortization expense related to the beneficial feature of the Company's subordinated debt and the value assigned to warrants which were issued with the subordinated debt as part of the Company's February 2003 refinancing.

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### Other Income/Expense, Net

Other income/expense, net, was a net expense of \$55,000 for the first quarter of fiscal 2010 versus a net income of \$61,000 for the first quarter of fiscal 2009. The prior period reflected proceeds from a property damage claim.

### Income Taxes

Due to the utilization of net operating loss carry-forwards available (which were approximately \$39.8 million as of February 27, 2009), the Company has not recorded a current income tax provision.

	Summary Table of Results			
	13 weeks ended May 29, 2009	13 weeks ended May 30, 2008	Variance s	Variance %
	(amounts in thousands)		() = Unfavorable	
Sales:				
Domestic	\$ 1,959	\$ 5,322	\$ (3,363)	(63.2)%
US Government	1,836	991	845	85.3
International	5,786	3,662	2,124	58.0
Total Sales	9,581	9,975	(394)	(3.9)
Gross Profit	4,427	2,495	1,932	77.4
Selling, general and administrative	2,856	3,313	457	13.8
Research & development	228	295	67	22.7
Operating income (loss)	1,343	(1,113)	2,456	220.7
Interest expense, net	516	436	(80)	(18.3)
Other expense (income), net	55	(61)	(116)	(190.2)
Income taxes	0	0	0	n/a
Minority interest	2	3	1	33.3
Net income (loss)	\$ 770	\$ (1,491)	\$ 2,261	n/a
Net income (loss) per common share	\$ 0.06	\$ (0.19)	\$ 0.25	n/a
EBITDA calculation:				
Net income (loss)	\$ 770	\$ (1,491)		
Interest	516	436		
Depreciation and amortization	567	556		
Earnings (loss) before interest, taxes, depreciation and amortization	\$ 1,853	\$ (499)		

ETC was incorporated in 1969 in Pennsylvania and this year we will celebrate our 40<sup>th</sup> anniversary. Our core technologies include the design, manufacture and sale of Training Services (TSG) which includes (1) software driven products and services used to create and monitor the physiological effects of flight; (2) high performance jet tactical flight simulation, and; (3) driving and disaster simulation systems, and Control Systems (CSG) which includes: (1) steam and gas sterilization; (2) testing and simulation devices for the automotive industry, and; (3) hyperbaric and hypobaric chambers. Product categories included in TSG are Aircrew Training Systems (ATS) and flight simulators, disaster management systems and entertainment applications. CSG includes sterilizers, environmental control devices and hyperbaric chambers along with parts and service support.

*This press release includes 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, as amended. These forward-looking statements are based on ETC's current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about ETC and its subsidiaries that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.*

*These forward-looking statements include statements with respect to the Company's vision, mission, strategies, goals, beliefs, plans, objectives, expectations, anticipations, estimates, intentions, financial condition, results of operations, future performance and business of the company, including but not limited to, (i) potential additional funding by H.F. Lenfest, a member of our Board of Directors and a significant shareholder, and PNC Bank, (ii) the trading of the Company's common stock on the Over-the-Counter Bulletin Board (iii) projections of revenues, costs of materials, income or loss, earnings or loss per share, capital expenditures, growth prospects, dividends, capital structure, other financial items and the effects of currency fluctuations, (iv) statements of our plans and objectives of the Company or its management or Board of Directors, including the introduction of new products, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities, (v) statements of future economic performance, (vi) statements of assumptions and other statements about the Company or its business, (vii) statements made about the possible outcomes of litigation involving the Company, (viii) statements regarding the Company's ability to obtain financing to support its operations and other expenses, and (ix) statements preceded by, followed by or that include the words, "may," "could," "should," "looking forward," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," or the negative of such terms or similar expressions. These forward-looking statements involve risks and uncertainties which are subject to change based on various important factors. Some of these risks and uncertainties, in whole or in part, are beyond the Company's control. Factors that might cause or contribute to such a material difference include, but are not limited to, those discussed in the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2009, in the section entitled "Risks Particular to Our Business." Shareholders are urged to review these risks carefully prior to making an investment in the Company's common stock.*

*The Company cautions that the foregoing list of important factors is not exclusive. Except as required by federal securities law, the Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.*

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  
ANNOUNCES SHAREHOLDER APPROVALS RELATED TO  
REFINANCING TRANSACTIONS WITH H.F. LENFEST AND PNC BANK**

Southampton, PA, USA. July 6, 2009 — Environmental Tectonics Corporation (OTC Bulletin Board: ETCC) (“ETC” or the “Company”) today announced that it has received certain shareholder approvals related to its previously announced refinancing transactions with H. F. Lenfest (“Lenfest”) and PNC Bank, National Association (“PNC Bank”).

On April 24, 2009, ETC entered into a transaction with Lenfest (the “Lenfest Financing Transaction”) that provided for the following upon the satisfaction of certain conditions, including shareholder approval of certain components of the transaction (the “Shareholder Approvals”): (i) a \$7.5 million credit facility provided by Lenfest to ETC; (ii) exchange of the senior subordinated note (the “Subordinated Note”) in the original principal amount of \$10 million issued by ETC to Lenfest on February 18, 2003, together with all accrued interest and warrants issuable under this note, and all Series B Preferred Stock and Series C Preferred Stock of the Company held by Lenfest, together with all accrued dividends thereon, for a new class of Series E Preferred Stock of the Company (the “Series E Exchange”); and (iii) the guarantee by Lenfest of all of ETC’s obligations to PNC Bank in connection with an increase of the existing \$15 million revolving line of credit with PNC Bank (the “PNC Credit Facility”) to \$20 million, and in connection with this guarantee, the pledge by Lenfest to PNC Bank of \$10 million in marketable securities.

On July 2, 2009, the Company held its 2009 Annual Meeting of Shareholders, at which the following actions were taken:

- The shareholders elected William F. Mitchell, George K. Anderson, M.D., Lenfest, Stephen F. Ryan and George A. Sawyer to the Board of Directors of the Company.
- The shareholders voted to approve the Company’s 2009 Employee, Director and Consultant Stock Plan.
- The shareholders voted to approve an amendment to the Company’s Articles of Incorporation to increase the number of authorized shares of common stock of the Company from 20 million to 50 million.
- The shareholders voted to approve the Series E Exchange.
- The shareholders voted to approve the restoration of the voting rights of certain securities currently held or issuable to Lenfest as part of the Lenfest Financing Transaction.

As a result of obtaining the Shareholder Approvals, on July 2, 2009, the Company completed the Series E Exchange with Lenfest. In addition, the Company and PNC Bank completed the increase of the PNC Credit Facility to \$20 million.

William F. Mitchell, President and Chairman, commented, “This is an historic day for ETC. Approval of the Lenfest transaction by the stockholders will allow ETC to obtain access to the funding to pursue and hopefully be awarded some significant U.S. government and international contracts. I personally want to thank Gerry Lenfest for his continuing and unwavering support over the past 6 years.”

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