

ENVIRONMENTAL TECTONICS CORP

Form 8-K

August 03, 2007

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM 8-K
CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Date of Earliest Event Reported

July 31, 2007

Environmental Tectonics Corporation

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation of organization)

1-10655

(Commission File Number)

23-1714256

(IRS Employer Identification Number)

County Line Industrial Park

Southampton, Pennsylvania

(Address of principal executive offices)

18966

(Zip Code)

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

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

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

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

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

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

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

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

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

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

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

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed herewith:

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

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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 31, 2007

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

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