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U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2005

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File No. 0-7099

CECO ENVIRONMENTAL CORP.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**13-2566064**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
3120 Forrer Street Cincinnati, Ohio	**45209**
(Address of Principal Executive Offices)	**(Zip Code)**

(513) 458-2600
Registrant's Telephone Number, Including Area Code:

Securities registered under Section 12(b) of the Act: None

Securities registered under Section 12(g) of the Act:

Common Stock, $0.01 par value per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No x

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer x

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

Aggregate market value of common stock held by non-affiliates of Registrant computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of Registrant's most recently completed second fiscal quarter (June 30, 2005): $13,470,174

The number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 11,188,680 shares of common stock, par value $0.01 per share, as of March 10, 2006.

Documents Incorporated by Reference

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of

Shareholders to be held May 24, 2006 are incorporated by reference into Part III. The Exhibit Index incorporates several documents by reference as indicated therein.

FORM 10-K

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PART I

Item 1. *Business*

General

CECO Environmental Corp. ("CECO") was incorporated in New York State in 1966 and reincorporated in Delaware in January 2002. We operate as a provider of air pollution control products and services.

Unless the context indicates otherwise, the terms "Company", "we", "us", and "our", as used herein refers to CECO Environmental Corp. (the Registrant) and its subsidiaries.

We market our products and services under the following trade names: "Kirk & Blum", "kbd/Technic", "CECO Filters", "Busch International", "CECO Abatement Systems", "CECOaire", "K&B Duct" and "H.M. White".

In December of 1999, we acquired Kirk & Blum, one of the largest sheet metal fabricators in the country. This major acquisition significantly changed our company's focus and capabilities. Since then we have also accomplished the following.

- Founded CECO Abatement in 2001. This company produces regenerative thermal oxidizers (RTO's) and has made itself into a significant force in the ethanol industry.
- Launched the "KB Duct" product line in 2001. This product continues to grow in sales year by year.
- Founded CECOaire in 2004. This new company produces baghouses and has enabled us to win several major contracts.
- Established CECO Filters India Pvt. Ltd. in 2004 to penetrate the Asian market.
- Entered into a transition agreement in February 2006 with H.M. White, LLC and H.M. White Holdings of Detroit, Michigan to jointly participate in the acquisition of new business in the areas of industrial ventilation systems and sheet metal and paint finishing construction.
- Most importantly, we have successfully combined these individual businesses into a cohesive, integrated unit. Kirk & Blum now produces the bulk of the other business units' products and captures margin that used to go to outside vendors.

Products and Services

We are recognized as a leading provider in the air pollution control industry. We focus on engineering, designing, building, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities as well as equipment that controls emissions from such facilities. We now market these turnkey pollution control services through all our companies with Kirk & Blum providing project management. With a diversified base of more than 1,500 active customers, we provide services to a myriad of industries including aerospace, brick, cement, ceramics, metalworking, printing, paper, food, foundries, metal plating, woodworking, chemicals, glass, automotive, pharmaceuticals, and chemicals.

Increasingly stringent air quality standards and the need for improved industrial workplace environments are chief among the factors that drive our business. Some of the underlying federal legislation that affects air quality standards is the Clean Air Act of 1970 and the Occupational Safety and Health Act of 1970. The Environmental Protection Agency ("EPA") and Occupational Safety and Health Administrative Agency ("OSHA"), as well as other state and local agencies, administer air quality standards. Industrial air quality has been improving through EPA mandated Maximum Achievable Control Technology ("MACT") standards and OSHA established Threshold Limit Values ("TLV") for more than 1,000 industrial contaminants. Bio-terrorism threats have also increased awareness for improved industrial workplace air quality. Any of these factors, individually or

collectively, tend to cause increases in industrial capital spending that are not directly impacted by general economic conditions, expansion or capacity increases. Favorable conditions in the economy generally lead to plant expansions and the construction of new industrial sites. Economic expansion provides us with the potential to increase and accelerate levels of growth. However, in a weak economy customers tend to (a) lengthen the time from their initial inquiry to the purchase order or (b) defer purchases.

Our selling strategy is to provide a solutions-based approach for controlling industrial airborne contaminants by being a single source provider of industrial ventilation and air-pollution control products and services. We believe this provides a discernable competitive advantage. We execute this strategy by utilizing our portfolio of in-house technologies and those of third party equipment suppliers. Many of these have been long standing relationships. This enables us to leverage existing business with selective alliances of suppliers and application specific engineering expertise. We compete by providing competitive pricing with turnkey solutions.

Under the Kirk & Blum trade name we have four principal product lines. All have evolved from the original air pollution systems business (contracting, fabricating, parts and clamp-together duct systems). The largest line, with eight strategic locations throughout the Midwest and Southeast United States, is air pollution control systems and industrial ventilation. These systems, primarily sold on a turnkey basis, include oil mist collection, dust collection, industrial exhaust, chip collection, make-up air, as well as automotive spray booth systems, industrial and process piping, and other industrial sheet metal work. We provide a cost effective engineered solution to in-plant process problems in order to control airborne pollutants. Representative customers include General Electric, General Motors, Procter & Gamble, Nissan, Honda, Toyota, Boeing, Lafarge, Corning, RR Donnelley, and Alcoa. North America is the principal market served. We have, at times, supplied equipment and engineering services in certain overseas markets. We have completed several major contracts in Mexico and recently obtained a large contract in China.

We provide custom metal fabrication services at our Kirk & Blum Cincinnati, Ohio and Lexington, Kentucky locations. These facilities are used to fabricate parts, subassemblies, and customized products for air pollution and non-air pollution applications from sheet, plate, and structurals and perform the majority of the fabrication for CECO Filters, Busch International, CECOaire and CECO Abatement. We have developed significant expertise in custom sheet metal fabrication. As a result, these facilities give us flexible production capacity to meet project schedules and cost targets in air pollution control projects while generating additional fabrication revenue in support of non-air pollution control industries. Kirk & Blum is the custom fabricator of product components for many companies located in the Midwest choosing to outsource their manufacturing. Generally, we will market custom fabrication services under a long-term sales agreement. Representative customers include Siemens and General Electric.

We also market under the Kirk & Blum trade name, component parts, for industrial air systems to contractors, distributors and dealers throughout the United States. In 2001, we started the K&B Duct product line to provide a cost effective alternative to traditional duct. Primary users for this product line are those that generate dry particulate such as furniture manufacturers, metal fabricators, and any other users desiring flexibility in a duct system. Customers include end users, contractors, and dealers.

Our engineering and design services are also marketed under the kbd/Technic trade name to provide engineering services directly to customers related to air system testing and balancing, source emission testing, and industrial ventilation engineering. Representative customers include General Motors, Ford, Toyota, Quaker Oats, Nissan and Honda.

Fiber bed filter technology is marketed under the CECO Filters trade name directly to customers. The principal functions of the filters are (a) the removal of damaging mists and particles (e.g., in process operations that could cause downstream corrosion and damage to equipment), (b) the removal of pollutants, and (c) the recovery of valuable materials for reuse. The filters are also used to collect fine insoluble particulates. Major users are chemical and electronics industries, manufacturers of various acid, vegetable and animal based cooking

oils, textile products, alkalies, chlorine, papers, asphalt and pharmaceutical products. In February 2004, we established CECO Filters India Pvt. Ltd. in Chennai, India to market filtering equipment under the CECO Filters trade name to extend our penetration into Asia.

We market under the Busch International trade name, custom engineered air handling systems used to control fume and oil mist emissions in the steel and aluminum industries. We also market a strip cooler under the JET«STAR name. This equipment is globally marketed to the steel and aluminum industries. We recently obtained a large contract in China.

We added the CECO Abatement Systems trade name in 2001 to extend our penetration into the thermal oxidation market. We market thermal oxidizers and regenerative thermal oxidizers that eliminate toxic emission fumes and volatile organic compounds from large-scale industrial processes. We have a major presence in the ethanol and solid waste disposal industries.

In January 2005, we started CECOaire to increase our penetration into the dust control markets. We market baghouses that reduce dust particulates from industrial process airstreams. Prior to January 2005, CECOaire operated as part of CECO Filters.

In February 2006, we entered into a transition agreement with H.M. White, LLC and H.M. White Holdings of Detroit, Michigan to jointly participate in the pursuit of new business in the areas of industrial ventilation systems and sheet metal and paint finishing construction. This combination of businesses allows us to access automotive markets, especially in Detroit, where we previously had no presence.

When we undertake large jobs, our working capital objective is to make these projects self-funding. We try to achieve this by (a) progress billing contracts, when possible, (b) utilizing extended payment terms from material suppliers, and (c) paying sub-contractors after payment from our customers, which is an industry practice. Our investment in net working capital is funded by cash flow from operations and by our revolving line of credit. Inventory remains relatively constant from year to year. Accordingly, changes in inventory do not constitute a significant part of our investment in working capital.

OTHER INFORMATION

Financing

The financing for the Kirk & Blum transaction was provided by a bank loan facility in the original amount of $25 million in term loans and a $10 million revolving credit facility. The bank loan facility was provided by PNC Bank, N.A., Fifth Third Bank and Bank One, N.A. (the “Bank Facility”). In connection with these loans, the banks providing the Bank Facility received a lien on substantially all of our assets.

The Bank Facility was replaced with a new credit facility (the “New Bank Facility”) on December 29, 2005. The new credit agreement was entered into by CECO Environmental Corp., the CECO group of companies and Fifth Third Bank, an Ohio banking corporation (“Fifth Third Bank”). The New Bank Facility consists of a term loan in the amount of $3.1 million and a revolving loan of up to $13.0 million. The proceeds were used to refinance the Bank Facility and will be used for general corporate purposes. Terms of the credit agreement, which terminates January 31, 2007, include a three hundred basis point reduction in interest rates from the Bank Facility and longer amortization of the term debt and less restrictive loan covenants than the Bank Facility.

The $5 million subordinated debt that was provided to us in connection with the Kirk & Blum transaction in December 1999 included investments of $4 million by Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. (“Green Diamond”), $500,000 by ICS Trustee Services, Ltd. and $500,000 by Harvey Sandler. These investors were also issued warrants to purchase 1,000,000 shares of Common Stock in the aggregate (the “Sub-debt Warrants”) at a price of $2.25 per share, the fair market value of the shares at date of issuance. The Sub-debt

Warrants were exercised in December 2001. The fair value of the warrants was determined to be $1,847,000 at the date of issuance and the subordinated debt was discounted by such amount. The discount is being amortized as a component of interest expense over the life of the subordinated debt which coincided with the bank's term loan maturity date of May 2006. The amortization of the discount was approximately $288,000 for each of the years ended December 31, 2005, 2004 and 2003. The effective annualized interest rate on the subordinated debt obligations is 17.75%, after taking into account the value of the warrants. ICS Trustee Services, Ltd. is not our affiliate. Harvey Sandler, by virtue of beneficially owning in excess of 10% of our common stock, is currently deemed an affiliate of ours. Green Diamond is owned 50.1% by Icarus Investment Corp., a corporation owned 50% by Phillip DeZwirek, the Chairman of the Board of Directors and Chief Executive Officer of the Company and a major stockholder, and 50% by Jason Louis DeZwirek, Phillip DeZwirek's son, a director and Secretary of the Company and a major stockholder of the Company.

The promissory notes, which were issued to evidence the subordinated debt, provide that they accrue interest at the rate of 12% per annum, payable semi-annually. Payments of interest are subject to subordination agreements with the Fifth Third Bank under the New Bank Facility described above. In connection with the New Bank Facility, ICS Trustee Services, Ltd., Harvey Sandler, and Green Diamond agreed to extend the maturity date of the notes to April 1, 2007 from June 7, 2006 and to enter into new subordination agreements with Fifth Third Bank.

Equity Transactions

On December 31, 2001, we completed a $2,120,000 equity raise consisting of the sale of 706,668 shares of our common stock, at a price of $3.00 per share, and the issuance of warrants ("Warrants") to purchase 353,334 shares of our common stock (collectively, with the 706,668 shares, the "Investor Shares") at an initial exercise price of $3.60 per share, to a group of accredited investors (the "Investors") led by Crestview Capital Fund, L.P., a Chicago-based private investment fund. We used these proceeds along with the proceeds received from the exercise of the Subdebt Warrants, to pay down the Bank Facility. As part of our contractual obligations to the Investors, we registered the Investor Shares on a Form S-1, which became effective on May 15, 2002. The shares underlying the Subdebt Warrants and the 14,000 shares underlying warrants that were issued as a finder's fee in connection with the sale of shares to the Investors were also included in the Form S-1, for a total of 2,074,002 shares. On April 30, 2003 and May 2, 2003, we filed a Post-Effective Amendment on Form S-3 to Form S-1/A with respect to such shares.

To re-register certain of such shares and to register additional shares, we have filed a Registration Statement on Form S-3, which we anticipate amending following the filing of this Form 10-K and requesting that it become effective shortly after the filing of this Form 10-K. Included in such Registration Statement are the shares that were issued upon exercise of the Subdebt Warrants, the shares underlying the Warrants, 1,000,000 shares held by Phillip DeZwirek (which were issued upon exercise of warrants), 25,000 share held by Jason DeZwirek (which were issued upon exercise of options), and the 14,000 shares underlying the warrants issued as a finder's fee, for an aggregate of 2,392,334 shares of common stock. We do not receive any proceeds from the sale of these shares.

On January 6, 2006, Mr. Phillip DeZwirek elected to exercise warrants for 1,000,000 shares of common stock for an aggregate amount of $1,718,750 paid to us. Mr. Jason DeZwirek also exercised on such date options for 25,000 shares of common stock for an amount of $50,250 paid to us. Proceeds from these exercises were used by us to pay accrued interest on the Green Diamond subordinated notes, $1,531,792 of which interest was capitalized. Fifth Third Bank consented to this use of proceeds.

Asset Sales

Due to our increased efficiencies and subsequent need for less space, we sold the property we owned in Conshohocken, Pennsylvania in May 2003 and entered into a lease for approximately half of the property with

the purchaser. The net proceeds from the sale of the property were used to reduce our outstanding debt. We recognized net savings, as it was cost effective to sell the property and lease back half of the space.

Customers

No customer comprised 10% or more of our net revenues for 2005. We do not depend upon any one or few customers.

Suppliers

We purchase our angle iron and sheet plate products from a variety of sources. When possible, we secure these materials from steel mills. Other materials are purchased from a variety of steel service centers. Steel prices have been volatile but we cover this through a “surcharge” on our standard products. On contract work, we cover the volatility by including the current price in our estimate.

We purchase chemical grade fiberglass as needed from Johns Manville Corporation, which we believe is the only domestic supplier of such fiberglass. However, there are foreign suppliers of chemical grade fiberglass, and, based on current conditions, we believe that we could obtain such material from foreign suppliers on acceptable terms.

We have a good relationship with all our suppliers and do not anticipate any difficulty in continuing to receive such items on terms acceptable to us. To the extent that our current suppliers are unable or unwilling to continue to supply us with materials, we believe that we would be able to obtain such materials from other suppliers on acceptable terms.

Backlog

Backlog represented by firm purchase orders from our customers was approximately $28.9 million and $20.7 million at the end of the fiscal years 2005 and 2004, respectively. 2004 backlog was completed in 2005. The 2005 backlog is expected to be completed in 2006.

Competition and Marketing

We believe that there are no singly dominant companies in the industrial ventilation and air pollution control niche markets in which we participate. These markets are fragmented with numerous smaller and regional participants. As a result, competition varies widely by region and industry. However, sales of products and services under some of our trade names face competition with companies that have greater financial resources and that have more extensive marketing and advertising.

We sell and market our products and services with our own direct workforce in conjunction with outside sales representatives in the U.S., Mexico, Canada, Asia, Europe and South America. We have direct employees in India.

Government Regulations

We have not been materially negatively impacted by existing government regulation, nor are we aware of any probable government regulation that would materially affect our operations. Our costs in complying with environmental laws have been negligible.

Research and Development

During 2005, 2004, and 2003, costs expended in research and development have not been significant. Such costs are generally included as factors in determining pricing.

Employees

We had 444 full-time employees and 2 part-time employees as of December 31, 2005. The facilities acquired with the acquisition of Kirk & Blum are unionized except for selling, administrative and operating

management personnel. None of our other employees are subject to a collective bargaining agreement. We consider our relationship with our employees to be satisfactory. In total, approximately 325 employees are represented by international or independent labor unions under various union contracts that expire from May 2006 to October 2008.

Our operations are largely dependent on Richard J. Blum and certain other key executives. The loss of Mr. Blum or any of our key executives could have a material adverse effect upon our operations. However, we believe our management team is deep and talented.

Intellectual Property

There is no assurance that measurable revenues will accrue to us as a result of our patents or licenses.

We purchased, among other assets, three patents from Busch Co. in 1997 that relate to the JET*STAR systems. JET*STAR systems constituted $1.5 million of revenues in 2005.

We hold a US patent for our N-SERT® and X-SERT® prefilters and for our Cantenary Grid scrubber. We also hold a US patent for a fluoropolymer fiber bed for a mist eliminator, a US patent for a fluted filter, and a US patent for a multiple in-duct filter system. Such patents combined do not have significant value to our overall performance.

Affiliated Stock Purchase

In September 2002, the Registrant purchased 31,536,440 shares of CECO Filters, Inc. (“Filters”) in consideration for the cancellation of Filter’s debt of $3,044,423 owed to CECO Group, Inc. (“Group”) and $109,221 owed to Registrant. Registrant then immediately assigned such shares to Group. Group currently owns approximately 99% of the shares of Filters.

Financial Information about Geographic Areas

For 2005, 2004 and 2003, sales to customers outside the United States, including export sales, accounted for approximately 3%, 3% and 1%, respectively, of consolidated net sales. The largest portion of these sales was destined for Canada. Generally, sales are denominated in U.S. dollars. We do not currently maintain significant long-lived assets outside the United States.

Item 1A. ***Risk Factors***

RISK FACTORS

In addition to the other information in this Annual Report on Form 10-K, the factors listed below should be considered in evaluating our business and prospects. This Annual Report on Form 10-K contains a number of forward-looking statements that reflect our current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below and elsewhere herein, that could cause actual results to differ materially from historical results or those anticipated. In this report, the words “anticipates,” “believes,” “expects,” “intends,” “future” and similar expressions identify forward-looking statements. Readers are cautioned to consider the specific factors described below and not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this Annual Report on Form 10-K. We assume no obligation to publicly update any forward-looking statements.

Operating at a Loss

We have incurred net losses for our past 5 fiscal years. There are no assurances that we will achieve or sustain profitability.

Competition

The industries in which we compete are all highly competitive. We compete against a number of local, regional and national contractors and manufacturers in each of our business segments, many of which have been in existence longer than us and some of which have substantially greater financial resources than we do. We believe new entrants that are large corporations may be able to compete with the Company on the basis of price and as a result may have a material adverse affect on the results of our operations. In addition, there can be no assurance that other companies will not develop new or enhanced products that are either more effective than ours or would render our products non-competitive or obsolete.

Dependence on Key Personnel

We are highly dependent on the experience of our management in the continuing development of its operations. The loss of the services of certain of these individuals, particularly Richard J. Blum, President of CECO, would have a material adverse effect on our business. Our future success will depend in part on our ability to attract and retain qualified personnel to manage our development and future growth. There can be no assurance that we will be successful in attracting and retaining such personnel. The failure to recruit additional key personnel could have a material adverse effect on our business, financial condition and results of operations.

Continued Control by Management

As of the date of this Annual Report on Form 10-K, management of the Company beneficially owns approximately 56% of the Company’s outstanding common stock, assuming the exercise of currently exercisable warrants and options held by management. Our stockholders do not have the right to cumulative voting in the election of directors. Accordingly, present management will be in a position to exert control over our business and operations, including the election of our directors.

Dependence Upon Third-Party Suppliers

Although we are not dependent on any one supplier, we are dependent on the ability of our third-party suppliers to supply our raw materials, as well as certain specific component parts. We purchase all of our chemical grade fiberglass from one domestic supplier, which we believe is the only domestic supplier of such fiberglass, and certain specialty items from only two domestic suppliers. These items also can be purchased from

foreign suppliers. Failure by our third-party suppliers to meet our requirements could have a material adverse effect on us. There can be no assurance that our third-party suppliers will dedicate sufficient resources to meet our scheduled delivery requirements or that our suppliers will have sufficient resources to satisfy our requirements during any period of sustained demand. Failure of manufacturers or suppliers to supply, or delays in supplying, our raw materials or certain components, or allocations in the supply of certain high demand raw components could materially adversely affect our operations and ability to meet our own delivery schedules on a timely and competitive basis.

Patents

We hold various patents and licenses relating to certain of our products. There can be no assurance as to the breadth or degree of protection that existing or future patents, if any, may afford us, that our patents will be upheld, if challenged, or that competitors will not develop similar or superior methods or products outside the protection of any patent issued to us. Although we believe that our products do not and will not infringe patents or violate the proprietary rights of others, it is possible that our existing patent rights may not be valid or that infringement of existing or future patents or proprietary rights may occur. In the event our products infringe patents or proprietary rights of others, we may be required to modify the design of our products or obtain a license for certain technology. There can be no assurance that we will be able to do so in a timely manner, upon acceptable terms and conditions, or at all. Failure to do any of the foregoing could have a material adverse effect upon our business. In addition, there can be no assurance that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violations action which may be brought against us. Moreover, if our products infringe patents or proprietary rights of others, we could, under certain circumstances, become liable for damages, which also could have a material adverse effect on our business.

New Product Development

The air pollution control and filtration industry is characterized by ongoing technological developments and changing customer requirements. As a result, our success and continued growth depend, in part, on our ability in a timely manner to develop or acquire rights to, and successfully introduce into the marketplace, enhancements of existing products or new products that incorporate technological advances, meet customer requirements and respond to products developed by our competition. There can be no assurance that we will be successful in developing or acquiring such rights to products on a timely basis or that such products will adequately address the changing needs of the marketplace.

Technological and Regulatory Change

The air pollution control and filtration industry is characterized by changing technology, competitively imposed process standards and regulatory requirements, each of which influences the demand for our products and services. Changes in legislative, regulatory or industrial requirements may render certain of our filtration products and processes obsolete. Acceptance of new products may also be affected by the adoption of new government regulations requiring stricter standards. Our ability to anticipate changes in technology and regulatory standards and to develop and introduce new and enhanced products successfully on a timely basis will be a significant factor in our ability to grow and to remain competitive. There can be no assurance that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products will not become obsolete.

Leverage

We are highly leveraged. We currently have the New Bank Facility, which includes a term loan and line of credit, with Fifth Third Bank. The terms of such loan facility were entered into on December 29, 2005.

Our cash interest costs relate primarily to our revolving credit line and term loans; interest payments on the subordinated debt are permitted under the credit agreement if we remain in compliance with the loan covenants.

Our loans are secured by substantially all of our assets and our ability to borrow additional amounts on a secured basis would be limited. On December 31, 2004, the principal balance of the notes owed to Green Diamond was increased for the unpaid accrued interest. The principal balance for the $4.0 million subordinated note was increased by the accrued interest of $1.4 million to $5.4 million, and the principal balance for the $1.2 million subordinated note was increased by $0.1 million to $1.3 million and the maturity date was extended to January 1, 2007. On December 29, 2005, in connection with our New Bank Facility, the maturity date for these notes was extended to April 1, 2007. The remaining interest accrued on these subordinated notes was $730,230 at December 31, 2005 and $372,352 at December 31, 2004. Interest is charged on the revolving credit line at the bank's prime rate plus 2 percentage points and on the term debt at prime plus 2.25 points. A 1% increase in the average interest rate would increase cash interest cost by approximately $60,000 if borrowings remain constant in 2006. There are no scheduled increases in the fixed or variable rates on the credit facility, however; an increase or decrease in the prime rate would cause the Company's future interest expense and cash flows to increase or decrease proportionately.

Our Common Stock Has Been Relatively Thinly Traded and We Cannot Predict the Extent to Which a Trading Market Will Develop

Our common stock trades on the NASDAQ SmallCap Market. Our common stock is thinly traded compared to larger, more widely known companies. Thinly traded common stock can be more volatile than common stock trading in an active public market.

Future Sales by Our Stockholders May Adversely Affect Our Stock Price and Our Ability to Raise Funds in New Stock Offerings

On December 31, 2005, Phillip DeZwirek owned, in addition to other shares of common stock, warrants to purchase 2,250,000 shares of CECO common stock. We are obligated to register these shares upon demand. On January 6, 2006, Mr. Phillip DeZwirek elected to exercise warrants for 1,000,000 shares of common stock for an aggregate amount of $1,718,750 paid to us. We anticipate registering such 1,000,000 shares. If Mr. DeZwirek and/or his affiliates should decide to sell such shares or other shares they own, such sales may cause our stock price to decline. Such sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all.

Our Financial Performance is seasonal

The fourth quarter of our fiscal year, which ends December 31, is typically our strongest quarter. This is due to a combination of factors: First, many of our customers attempt to complete major capital improvement projects before the end of the calendar year. Also, many customers shut down over the Christmas holidays to perform maintenance services on their facilities. These factors create increased demand for our products and services during this period.

Conversely, the first quarter of our calendar fiscal year is typically our weakest quarter. This is caused to some extent by winter weather constraints on outside construction activity but also by the seasonality of capital improvement projects as discussed relating to the fourth quarter.

Our Financial Performance Is Sensitive to Changes in Overall Economic Conditions

A general slowdown in the United States economy may adversely affect the spending of our customers, which would likely result in lower net sales than expected on a quarterly or annual basis. Future economic conditions, such as business conditions, fuel and energy costs, interest rates, and tax rates, could also adversely affect our business by reducing customer spending.

International War and Possibility of Acts of Terrorism Could Adversely Impact Us

The involvement of the United States in the conflict in the Middle East or elsewhere or a significant act of terrorism on U.S. soil or elsewhere could have an adverse impact on us by, among other things, disrupting our

information or distribution systems, causing dramatic increases in fuel prices thereby increasing the costs of doing business, or impeding the flow of imports or domestic products to us.

There are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected.

While we continue to take action to ensure compliance with the disclosure controls and other requirements of the Sarbanes-Oxley Act of 2002 and the related Securities and Exchange Commission and NASDAQ Exchange rules, there are inherent limitations in our ability to control all circumstances. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls and disclosure controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be evaluated in relation to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, in our Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Available Information

Our Internet website is www.cecoenviro.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports are available, without charge, on the website as soon as reasonably practicable after we file these reports with the SEC. You can also obtain these reports, free of charge, by contacting Investor Relations, CECO Environmental, 3120 Forrer Street, Cincinnati, Ohio 45209. Phone: 1-800-606-2326. You can also obtain these reports and other information, free of charge, at www.sec.gov. You may also read and copy materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-732-0330.

We are not including the information contained in our website as part of, or incorporating it by reference into, the Annual Report on Form 10-K.

Item 1B. *Unresolved Staff Comments*

Not Applicable.

Item 2. *Properties*

Our principal operating offices are headquartered in Cincinnati, Ohio at a 236,178 square foot facility that we own.

We have an executive office in Toronto, Canada, at facilities maintained by affiliates of our Chief Executive Officer and Chairman of the Board and Secretary, who work at the Toronto office. We reimburse such affiliate $5,000 per month for the use of the space and other office expenses.

We own a 33,000 square foot facility in Indianapolis, Indiana, a 35,000 square foot facility in Louisville, Kentucky and a 33,000 square foot facility in Lexington, Kentucky.

We lease the following facilities:

Location	Square Footage	Annual Rent	Expiration
Columbia, Tennessee	34,800	$ 127,020	August 2010
Greensboro, North Carolina	30,000	$ 120,000	August 2006
Defiance, Ohio	10,000	$ 27,400	Month to month
Pittsburgh, Pennsylvania	4,000	$ 48,000	May 2006
Chicago, Illinois	1,250	$ 21,200	January 2009
Conshohocken, Pennsylvania	27,500	$ 151,250	April 2011
Chenai, India	5,850	$ 12,000	October 2006

It is anticipated that all leases coming due in the near future will be renewed at expiration.

All properties owned are subject to collateral mortgages to secure the amounts owed under the New Bank Facility.

Kirk and Blum has entered into a purchase agreement for the sale of our Cincinnati property. The purchase agreement calls for 10.7 acres of real estate and improvements to be divided into two parcels, with the first parcel for a purchase price of $6.9 million and the second parcel for a purchase price of $1.1 million. The closing of parcel one is scheduled to occur on or before April 24, 2006, provided that upon payment by the purchaser of $200,000, the closing date may be extended until May 23, 2006 and further, provided that the purchaser also has the right to terminate the Agreement for any reason prior to July 15, 2006.

Kirk and Blum will have the right to occupy both parcels with no rent obligations for a period of up to ten months following the closing on the first parcel, however, Kirk and Blum will be responsible for real estate taxes, insurance costs, utility costs and other operational costs during such occupancy.

The closing of the sale is subject to various customary closing conditions. Additionally, closing is subject to certain special conditions such as the negotiation of a definitive agreement setting forth Kirk and Blum's post-closing possessory rights.

Kirk and Blum had entered into an agreement for the purchase of a manufacturing and corporate office facility located in Woodlawn, Ohio. Such agreement, however, after several extensions, expired March 29, 2006.

In 2005, we increased our leased space by 14,770 square feet. Our current capacity, with limited capital additions, is expected to be sufficient to meet production requirements for the near future. We believe our production facilities are suitable and can meet our future production needs.

Item 3. ***Legal Proceedings***

There are no material pending legal proceedings to which our Company or any of our subsidiaries is a party or to which any of our property is subject.

Item 4. ***Submission of Matters to a Vote of Security Holders***

There was no matter submitted to the vote of the shareholders during the fourth quarter of 2005.

Executive Officers of Registrant

The following are the executive officers of the Company as of March 30, 2006. The terms of all officers expire at the next annual meeting of the board of directors and upon the election of the successors of such officers. The ages given are as of March 30, 2006.

Name	Age	Position with CECO
Phillip DeZwirek	68	Chief Executive Officer; Chairman of the Board of Directors
Richard J. Blum	59	President; Director
Dennis W. Blazer	58	Vice President-Finance and Administration; Chief Financial Officer
David D. Blum	50	Senior Vice President-Sales and Marketing; Assistant Secretary
Jason Louis DeZwirek	35	Secretary; Director

Phillip DeZwirek became a director, the Chairman of the Board and the Chief Executive Officer of the Company in August 1979. Mr. DeZwirek also served as Chief Financial Officer until January 26, 2000. Mr. DeZwirek's principal occupations during the past five years have been as Chairman of the Board and Vice President of CECO Filters (since 1985); Treasurer and Assistant Secretary of CECO Group (since December 10, 1999); a director of Kirk & Blum and kbd/Technic (since 1999); President of Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. ("Green Diamond") (since 1990) and a director and the Chairman, Chief Executive Officer and Treasurer of API Electronics Group, Inc., a publicly traded company (OTC:AEGCF), which is a manufacturer of power semi-conductors primarily for military use. Mr. DeZwirek has also been involved in private investment activities for the past five years.

Richard J. Blum became the President and a director of the Company on July 1, 2000 and the Chief Executive Officer and President of CECO Group, Inc. on December 10, 1999. Mr. Blum has been a director and the President of Kirk & Blum from February 28, 1975 until November 12, 2002, and the Chairman and a director of kbd/Technic since November 1988. Mr. Blum is also a director of The Factory Power Company, a company of which CECO owns a minority interest and that provided steam energy to various companies, including CECO. Kirk & Blum and kbd/Technic were acquired by the Company on December 7, 1999. Mr. Richard Blum is the brother of Mr. David Blum.

Dennis W. Blazer became the Chief Financial Officer and the Vice President-Finance and Administration of the Company on December 13, 2004. From 2003 to 2004, Mr. Blazer served as a financial consultant to GTECH Corporation, a leading global information technology corporation. From 1998 to 2003, he served as the Chief Financial Officer of Interlott Technologies, Inc., which stock traded on the American Stock Exchange and which was a worldwide provider of vending technologies for the lottery industry prior to its acquisition by GTECH Corporation in 2003. From 1973 to 1998, Mr. Blazer also served in varying capacities leading up to the position of Vice President of Finance and Administration for The Plastic Moldings Corporation, a custom manufacturer of precision molded plastic components.

David D. Blum became the Senior Vice President-Sales and Marketing and an Assistant Secretary of the Company on July 1, 2000 and the President of Kirk & Blum on November 12, 2002. Mr. Blum served as Vice President of Kirk & Blum from 1997 to 2000 and was Vice President-Division Manager Louisville at Kirk & Blum from 1984 to 1997. Mr. David Blum is the brother of Mr. Richard Blum.

Jason Louis DeZwirek, the son of Phillip DeZwirek, became a director of the Company in February 1994. He became Secretary of the Company on February 20, 1998. Mr. DeZwirek from October 1, 1997 through January 1, 2002 served as a member of the Committee that was established to administer CECO's Stock Option Plan. He also serves as Secretary of CECO Group (since December 10, 1999). Mr. DeZwirek's principal occupation since October 1999 has been as an officer and director of Kaboose Inc., an online media company servicing the children and family markets that trades on the Toronto Stock Exchange (TSX:KAB). Mr. DeZwirek currently serves as Chairman and Chief Executive Officer of Kaboose Inc. Mr. DeZwirek also is a director and the Secretary of API Electronics Group, Inc. (OTC:AEGCF).

PART II

Item 5. *Market for the Registrant's Common Equity and Related Stockholder Matters*

(a) Our common stock is traded in the over-the-counter market and is quoted in the Nasdaq SmallCap Market automated quotation system under the symbol CECE. The following table sets forth the range of bid prices for our common stock as reported in the Nasdaq system during the periods indicated, and represents prices between broker-dealers, which do not include retail mark-ups and mark-downs, or any commissions to the broker-dealers. The bid prices do not reflect prices in actual transactions.

CECO Common Stock Bids			CECO Common Stock Bids			CECO Common Stock Bids		
2004	High	Low	2005	High	Low	2006	High	Low
1st Quarter	$2.01	$1.65	1st Quarter	$4.05	$3.05	1st Quarter	$8.31	$5.65
2nd Quarter	$1.85	$1.50	2nd Quarter	$4.40	$2.19	(through March 10, 2006)		
3rd Quarter	$2.30	$1.45	3rd Quarter	$4.40	$2.71			
4th Quarter	$3.84	$2.11	4th Quarter	$7.11	$4.25			

(b) The approximate number of beneficial holders of our common stock as of March 1, 2006 was 1,235.

(c) We paid no dividends during the fiscal years ended December 31, 2005 or 2004. We do not expect to pay dividends in the foreseeable future. We are party to various loan documents, which prevent us from paying any dividends.

(d) Information relating to securities authorized for issuance under our equity compensation plans is set forth in Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" below in this Annual Report on Form 10-K.

Item 6. *Selected Consolidated Financial Data*

The following table sets forth our selected financial information. The financial information for the years ended December 31, 2005, 2004 and 2003 has been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The financial information for the year ended December 31, 2002 and as of December 31, 2001 has been derived from our audited consolidated financial statements not included in this Annual Report. This historical selected financial information may not be indicative of our future performance and should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the related notes included elsewhere in this Annual Report.

	Year Ended December 31,				
	2005	2004	2003	2002[1]	2001[2]
	(in thousands, except per share amount)				
Statement of operations information:					
Net sales	$81,521	$69,366	$68,159	$78,575	$90,809
Gross profit, excluding depreciation and amortization	17,000	13,095	13,011	15,590	18,347
Depreciation and amortization	1,167	1,254	1,245	1,479	2,100
Operating income	3,525	1,185	1,364	2,209	3,048
Net (loss)	(435)	(928)	(667)	(306)	(380)
Basic net loss per share[4]	(.04)	(.09)	(.07)	(.03)	(.05)
Weighted average shares outstanding (in thousands)					
Basic	9,993	9,993	9,852	9,582	7,899
Supplemental financial data:					
Ratio of earnings to fixed charges[5]	1.1	n/a	n/a	n/a	n/a
Deficiency[5]	$ -0-	$ (1,176)	$ (1,034)	$ (641)	$ (326)
Cash flows from operating activities	2,586	1,882	1,593	3,701	4,382

	At December 31,				
	2005	2004	2003	2002[1]	2001[2]
	(dollars in thousands)				
Balance sheet information:					
Working capital	$ 3,602	$ 1,910	$ 3,709	$ 5,024	$ 7,202
Total assets	42,900	43,441	41,154	45,514	52,169
Short-term debt	1,568	4,188	2,094	2,120	2,826
Long-term debt	12,847	11,894	13,388	16,202	18,588
Stockholders equity[3]	6,783	7,249	8,030	8,706	9,299

[1] Effective January 1, 2002, we adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." As a result, we ceased amortization of goodwill and indefinite life intangibles, effective January 1, 2002, that totaled $476,000 in fiscal year 2001 and $217,000 in 2000.

[2] During December 2001, we received approximately $4.4 million of gross proceeds from equity transactions.

[3] Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.

[4] Basic and diluted earnings (loss) per common share are calculated by dividing income (loss) by the weighted average number of common shares outstanding during the period.

[5] For purposes of determining the ratio of earnings to fixed charges, "earnings" are defined as income (loss) from continuing operations before income taxes less minority interest plus fixed charges. "Fixed charges" consist of interest expense on all indebtedness and that portion of operating lease rental expense that is representative of the interest factor. "Deficiency" is the amount by which fixed charges exceeded earnings.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Operations Overview

We operate as a provider of air-pollution control products and services marketed under the "Kirk & Blum", "CECO Filters", "CECOaire", "Busch International", "CECO Abatement Systems", "kbd/Technic" "K&B Duct" and H.M. White trade names. Our business is focused on engineering, designing, and building equipment, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities as well as equipment that controls emissions from such facilities. We have a diversified base of more than 1,500 active customers among a myriad of industries including aerospace, brick, cement, ceramics, metalworking, ethanol, printing, paper, food, foundries, metal plating, woodworking, chemicals, tobacco, glass, automotive, and pharmaceuticals. Therefore, our business is not concentrated in a single industry or customer.

We operate under a "hub and spoke" business model in which executive management, finance, administrative and marketing staff serves as the hub while the sales channels serve as spokes. We use this model throughout our operations. This has provided us with certain efficiencies over a more decentralized model.

Although we discuss four principal product lines, our operating units function as internal customers and suppliers of each others' products and services and as such, products and services are intermingled in one major project. As a result, it is not reasonably possible to segregate revenues to external customers, operating profits or identifiable assets by product line.

We have expanded our business by adding CECO Abatement Systems, CECOaire, K&B Duct, CECO Filters, India and H.M. White, while divesting of the operating assets of Air Purator Corporation in 2002 and Busch Martec in 2002 (neither were strategically important to us).

Much of our business is driven by various regulatory standards and guidelines governing air quality in and outside factories. Favorable conditions in the economy generally lead to plant expansions and construction of new industrial sites. Economic expansion provides us with the potential to increase and accelerate levels of growth. However, as we have seen in past years, in a weak economy customers tend to lengthen the time between inquiry and order or may defer purchases.

We have made significant strides in reducing our leverage through cash generated by operations and asset sales, which has reduced our debt carrying costs. We ended 2005 with senior debt of $6.8 million at December 31, 2005 compared to $8.7 million at December 31, 2004 and $10.0 million at December 31, 2003.

Results of Operations

Our consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003 reflect our operations consolidated with the operations of our subsidiaries.

2005 vs. 2004

	For the year ended December 31,	
($'s in millions)	2005	2004
Sales	$ 81.5	$ 69.4
Cost of sales	64.5	56.3
Gross profit (excluding depreciation and amortization)	$ 17.0	$ 13.1
Percent of sales	20.9%	18.9%
Selling and administrative expenses	$ 12.3	$ 10.7
Percent of sales	15.1%	15.3%
Operating income	$ 3.5	$ 1.2
Percent of sales	4.3%	1.9%

Consolidated sales in 2005 were $81.5 million, an increase of $12.2 million or 17.5% compared to 2004. This increase came primarily from a large increase in equipment sales as well as an increase in contracting revenues and sales of component parts.

Orders booked in 2005 were $89.6 million compared with $82.8 million in 2004. The increase in bookings was due to a continuing strengthening in the economy throughout the year including several large orders booked in 2005. We continue to experience an increased level of customer inquiry and quoting activities. This improvement in the economy could result in increased air-quality related capital spending.

Gross profit excluding depreciation and amortization increased by 29.8% to $17.0 million in 2005 compared with $13.1 million in 2004. Gross profit, as a percentage of sales, was 20.9% in 2005 compared to 18.9% in 2004 The increase in the gross profit percentage of 2.0% was due to increased efficiencies resulting from the increase in sales volume without a corresponding increase in operating expenses. We also benefited from better overall margins in our product mix and backlog as jobs closed out with higher than expected profits.

Selling and administrative expenses increased by $1.6 million to $12.3 million in 2005. Selling and administrative expenses, as a percentage of revenues for 2005 and 2004 were 15.1% and 15.4% respectively. This increase was due to increases in incentive compensation related to improving financial performance and order bookings, increased legal and professional fees due to various SEC filings and registrations as well as costs associated with refinancing our long-term debt.

Depreciation and amortization remained constant at $1.2 million for both years. This was due primarily to reduced capital expenditures during periods of lower liquidity.

Operating income was $3.5 million in 2005 and $1.2 million in 2004. This 198% increase in operating income resulted from the various factors previously mentioned.

Other expense for the year ended December 31, 2005 was $900,000 compared with other income of $200,000 during the same period in 2004. The expense in 2005 includes a non-cash charge of $806,000 for the fair market value adjustment of detachable stock warrants. This market value adjustment and any additional market value adjustments in 2006 will be reversed and recognized as income in 2006 when the warrants are exercised or expire. Other expense in 2005 also includes a non-cash charge of $173,000 related to the impairment of fixed assets which had been retained from the discontinued operation of U.S. Facilities Management. These charges were offset by the deferred gain recognized from the sale and leaseback of our Conshohocken, Pennsylvania property which is being recognized over the ensuing three-year lease back period. The other income for the year ended December 31, 2004 was primarily a dividend of $162,000 from Factory Power which was a partnership with an adjacent manufacturing company to provide power to some of the other companies in the industrial park. The partnership no longer provides any services to the area and will be liquidated.

Interest expense decreased to $2.4 million in 2005 compared to $2.6 million for the same period of 2004. This was due to lower debt outstanding during the year offset by increasing interest rates.

Federal and state income tax provision was $647,000 during 2005 compared with a tax benefit of $248,000 for the same period in 2004. The effective income tax rate for 2005 was 305% compared with 21.1% for the same period of 2004. The effective tax rate during 2005 was unfavorably affected by certain permanent differences including the non-deductible, non-cash charge for warrants of $806,000 and non-deductible interest expense of $447,000 relating to amortization of the subordinated debt discount. Due to state & federal loss-carryforwards, no income taxes were paid in 2005 or 2004.

Net loss was $435,000 in 2005 and $928,000 in 2004.

2004 vs. 2003

($'s in millions)	For the year ended December 31, 2004	2003
Sales	$ 69.4	$ 68.2
Cost of sales	56.3	55.2
Gross profit (excluding depreciation and amortization)	$ 13.1	$ 13.0
Percent of sales	18.9%	19.1%
Selling and administrative expenses	$ 10.7	$ 10.4
Percent of sales	15.3%	15.3%
Operating income	$ 1.2	$ 1.4
Percent of sales	1.9%	2.1%

Consolidated sales were $69.4 million, an increase of $1.2 million compared to 2003. This increase came primarily from our small order business which increased to $26.7 million compared to $24.8 million in 2003. These orders came from our large base of customers that are generally repeat buyers for replacement products, for service work or for custom fabrication work. In 2004, the individual larger contracts decreased slightly.

Orders booked in 2004 were $82.8 million compared with $61.0 million in 2003. The large increase in bookings was due to the strengthening in the economy in the second half of the year coupled with several large orders booked in 2004, (including work for a steel production facility, an ethanol processing facility and an aluminum recycling facility). We have experienced an increased level of customer inquiry and quoting activities in the later half of 2004 relative to the first half of 2004. This may be partially attributable to a perceived improvement in the economy by our customers, which could result in increased air-quality related capital spending. This favorable trend could lead to an increase in our future sales.

Gross profit excluding depreciation and amortization was $13.1 million in 2004 compared with $13.0 million in 2003. Gross profit, as a percentage of sales, was 18.9% in 2004 compared to 19.1% in 2003. The slight decrease was due to our product mix and lower margins realized in our contracting operations coupled with increasing material costs.

Selling and administrative expenses increased by $0.3 million to $10.7 million in 2004. Selling and administrative expenses, as a percentage of revenues for 2004 and 2003 were 15.3%. The cost reduction initiatives we implemented in 2002 and 2003 have helped to stabilize these costs at the current volume level.

Depreciation and amortization remained constant at $1.2 million for both years. This was due primarily to reduced capital expenditures during periods of lower liquidity.

Operating income was $1.2 million in 2004 and $1.4 million in 2003. The decrease in operating income resulting from the higher cost of materials was offset by lower factory overhead spending, which helped to mitigate the reduction in operating income.

Other income for the year ended December 31, 2004 was $200,000 compared with income of $213,000 during the same period of 2003. The other income for the year ended December 31, 2004 was primarily a dividend of $162,000 from Factory Power which was a partnership with an adjacent manufacturing company to provide power to some of the other companies in the industrial park. The partnership no longer provides any services to the area and will be liquidated. Other income for the year ended December 31, 2003 is the result of the gain recognized from the sale and leaseback of our Conshohocken, Pennsylvania property. A deferred gain of $0.2 million is being recognized over the ensuing three-year leaseback period.

Interest expense remained constant at $2.6 million during 2004 compared to the same period of 2003. This was due to lower debt outstanding during the year offset by higher interest rates.

Federal and state income tax benefit was $248,000 during 2004 compared with a tax benefit of $367,000 for the same period in 2003. The effective income tax rate for 2004 was 21.1% compared with 35.5% in the same period of 2003. The effective tax rate during 2004 was favorably affected by state tax benefits and exports sales and negatively affected by certain permanent differences including non-deductible interest expense.

Net loss was $928,000 in 2004 and $667,000 in 2003.

Liquidity and Capital Resources

At December 31, 2005 and December 31, 2004, cash and cash equivalents totaled $310,000 and $339,000, respectively. Generally, we do not carry significant cash and cash equivalent balances because excess amounts are used to pay down our revolving line of credit.

Total bank and related debt as of December 31, 2005 was $6.8 million as compared to $8.7 million at December 31, 2004, a decrease of $1.9 million due to net payments under the bank credit facilities. The cash that we used to pay down our debt came from cash generated by operating activities.

Unused credit availability under our revolving line of credit at December 31, 2005 was $4.3 million. The previous bank facility was replaced with a new credit facility on December 29, 2005. The new credit agreement was entered into by CECO Environmental Corp., the CECO group of companies and Fifth Third Bank, an Ohio banking corporation. The new facility consists of a term loan in the amount of $3.1 million and a revolving loan of up to $13.0 million and was used to refinance existing indebtedness of the Company and for general corporate purposes. Terms of the agreement, which runs through January 31, 2007, included a three hundred basis point reduction in interest rates to two percent over prime for the revolver and two and one quarter percent over prime for the term loan. The agreement also provides for a sixty month amortization of the term debt and less restrictive loan covenants regarding the funded debt and fixed charge ratios.

On September 30, 2003, $1.2 million of subordinated debt was raised from a related party with a maturity of April 30, 2005 and an interest rate of 6% per annum. In connection with the new December 29, 2005 credit facility, the maturity was extended to April 1, 2007. This debt is subordinated to the bank credit facility and the subordinated debt originally issued in December 1999. On December 30, 2004, the principal balance of the notes owed to Green Diamond was increased for the unpaid accrued interest. The principal balance for the $4.0 million subordinated note was increased by the accrued interest of $1.4 million to $5.4 million and the principal balance for the $1.2 million subordinated note was increased by $90,000 to $1.3 million. The entire principal balance of this obligation will be due upon maturity. Proceeds were used to reduce the revolving line of credit.

Overview of Cash Flows and Liquidity

	For the year ended December 31,		
	2005	2004	2003
($'s in thousands)			
Total operating cash flow	$ 2,586	$ 1,882	$ 1,593
Purchases of property and equipment	$ (661)	$ (472)	$ (112)
Proceeds from sale of property	—	—	1,568
Net cash provided by (used in) investing activities	$ (661)	$ (472)	$ 1,456
Proceeds from issuance of common stock and detachable warrants	$ —	$ 13	$ 20
Repayments of borrowings, net	(1,954)	(1,220)	(4,327)
Proceeds from subordinated notes	—	—	1,200
Net cash used in financing activities	(1,954)	(1,207)	(3,107)
Net increase (decrease)	$ (29)	$ 203	$ (58)

$2.6 million was generated from operating activities in 2005. The increase in cash provided was due primarily to improved operating performance which is reflected in our net loss. Operating income was reduced by a non-cash charge of $806,000 for the fair market value adjustment of detachable stock warrants, non-cash interest expense of $357,000 and non-cash income tax expense of $423,000. We created additional cash from a decrease in accounts receivable of $904,000 resulting from improved collections. Cash was also provided by an increase in billings in excess of costs and estimated earnings of $296,000. The working capital accounts that used cash were an inventory increase of $292,000, an increase in costs and estimated earnings in excess of billings on uncompleted contracts of $500,000 and a decrease accounts payable and accrued expenses of $158,000. Our net investment in working capital (excluding cash and cash equivalents and current portion of debt) at December 31, 2005 was $4.9 million as compared to $5.9 million at December 31, 2004. Looking forward, we will continue to manage our net investment in working capital. We believe that our working capital needs will tend to change at a lower rate than the change in sales due to the acceleration of progress billings and collections of such on major contracts.

In 2004, $1.9 million was generated from operating activities. Cash provided was impacted by our net loss adjusted for non-cash items and increasing working capital demands from increasing sales. We used additional cash due to an increase in accounts receivable of $2.7 million that was due to increasing sales in the fourth quarter. The other working capital accounts that used cash were inventory and costs and estimated earnings in excess of billings on uncompleted contracts. An increase in accounts payable and accrued expenses resulting from increased purchases on increasing sales volume provided cash of $2.8 million. Cash was also provided by increases in billings in excess of costs and estimated earnings and an increase in other liabilities. Our net investment in working capital (excluding cash and cash equivalents and current portion of debt) at December 31, 2004 was $5.9 million as compared to $5.7 million at December 31, 2003.

Net cash used in investing activities related to the acquisition of capital expenditures for property and equipment was $661,000 for 2005 compared with $472,000 for the same period in 2004. We are managing our capital expenditures in light of the current level of sales. Should sales increase in 2006, we anticipate increased capital expenditure spending. Additional capital expenditures may be incurred related to the replacement facilities subject to the successful completion of the sale of our Cincinnati property.

Financing activities used cash of $1.9 million during 2005 compared with cash used of $1.2 million during the same period of 2004. Current year financing activities included net borrowings of $866,000 on our revolving line of credit and payments of $1.1 million on our term loan.

Our backlog has increased from $20.7 million in 2004 to $28.9 million in 2005, and the Company believes that the amount available on its credit facility, together with cash flows from operations, will be sufficient to meet its short-term needs for liquidity over the next twelve months. Additionally, in the longer term, we have real estate with market values significantly in excess of debt which may be sold to generate cash flow. Our cost reduction initiatives in prior years will have both short-term and long-term cash flow implications. A lower or more stable cost structure will be beneficial in future periods as revenues increase and costs do not increase proportionately. We also have access to additional financing by increasing the amount of our subordinated debt obtained through related parties.

Dividends

We did not pay any dividends during the years ended December 31, 2005 and 2004 and do not expect to pay any in the foreseeable future as we are party to various loan documents that prevent us from paying such dividends.

Debt Covenants

The Company entered into the New Bank Facility on December 29, 2005. The New Bank Facility was entered into by CECO Environmental Corp., the CECO group of companies and Fifth Third Bank, an Ohio

banking corporation. The New Bank Facility consists of a term loan in the amount of $3.1 million and a revolving loan of up to $13.0 million. The proceeds were used to refinance existing indebtedness of the Company and will be used for general corporate purposes. Terms of New Bank Facility, which terminates January 31, 2007, includes a three hundred basis point reduction in interest rates from the prior Bank Facility, and longer amortization of the term debt and less restrictive loan covenants than the prior Bank Facility. The new financial covenants require compliance including at December 31, 2005 and each quarter through December 31, 2006: maximum leverage to Adjusted EBITDA of 3.2 to 1 and minimum fixed charge coverage ratio of 1.1 to 1. In the future, if we cannot comply with the terms of the New Bank Facility agreements it will be necessary for us obtain a waiver or renegotiate our loan covenants, and there can be no assurance that such negotiations would be successful. In the event that we are not successful in obtaining a waiver or an amendment, we would be declared in default, which would cause all amounts owed to be immediately due and payable.

Employee Benefit Obligations

Based on the assumptions used to value other postretirement obligations, life insurance benefits and retiree healthcare benefits, in the fourth quarter of 2005, cash payments for these benefits are expected to be in the range of $310,000—$550,000 in each of the next 5 years. Based on current assumptions, estimated contributions of $483,000 may be required in 2006 for the pension plan and $69,000 for the retiree healthcare plan. The amount and timing of required contributions to the pension trust depends on future investment performance of the pension funds and interest rate movements, among other things and, accordingly, we cannot reasonably estimate actual required payments. Currently, our pension plan is under-funded. As a result, absent major increases in long-term interest rates, above average returns on pension assets and/or changes in legislated funding requirements, we will be required to make contributions to our pension trust of varying amounts in the long-term.

Contractual Obligations and Other Commercial Commitments

The following table lists our contractual cash obligations as of December 31, 2005 (in thousands of dollars).

	Total	Less than 1 year	Years 2-3	Years 4-5	More than 5 years
Long-term debt obligations (a)	$ 6,782	$ 568	$ 6,214	$ —	$ —
Estimated interest payments	613	490	123	—	—
Estimated pension funding	4,803	483	960	960	2,400
Subordinated debt (b)	7,690	1,000	6,690	—	—
Estimated interest payments on subordinated debt	2,177	1,265	912	—	—
Operating lease obligations (c)	1,840	561	696	530	53
Purchase obligations (d)	4,951	4,951	—	—	—
	$28,792	$ 9,318	$15,545	$1,476	$ 2,453

(a) As described in Note 9 to the Consolidated Financial Statements.
(b) As described in Note 10 to the Consolidated Financial Statements.
(c) Primarily as described in Note 13 to the Consolidated Financial Statements.
(d) Primarily consists of purchase obligations for various costs associated with uncompleted sales contracts.

Estimated interest payments associated with long term debt are based on anticipated interest payments on the term debt and estimated interest payments on the line of credit are based on the projected borrowing levels throughout the term of the line of credit.

Interest payments associated with the repayment of the subordinated debt are based on the fixed rates, outstanding principal and anticipated payment dates. Interest on the subordinated debt was not previously permitted under the credit facility and therefore, prior accrued interest is assumed to be paid upon maturity of the

debt for purposes of this schedule. At December 31, 2004, accrued interest of $1.5 million on related party subordinated debt was capitalized as principal and the related notes were amended to reflect this increase.

Pension funding was assumed to stay at current levels based on consistent discount and long term return rates, current funding levels and no significant changes in plan design or benefits.

Cash flow requirements will be met by utilizing cash provided from operating activities, supplemented by additional borrowing on the Company's line of credit facility to finance any short-term cash deficiency.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We believe that, of our significant accounting policies, the following accounting policies involve a higher degree of judgments, estimates, and complexity.

Revenue Recognition

A substantial portion of our revenue is derived from contracts, which are accounted for under the percentage of completion method of accounting measured by the percentage of contract costs incurred to date compared to estimated total contract costs to be the best available measure of progress on these contracts. This method requires a higher degree of management judgment and use of estimates than other revenue recognition methods. The judgments and estimates involved include management's ability to accurately estimate the contracts percentage of completion and the reasonableness of the estimated costs to complete, among other factors, at each financial reporting period. In addition, certain contracts are highly dependent on the work of contractors and other subcontractors participating in a project, over which we have no or limited control, and their performance on such project could have an adverse effect on the profitability of our contracts. Delays resulting from these contractors and subcontractors, changes in the scope of the project, weather, and labor availability also can have an effect on a contract's profitability.

Contract costs include direct material, labor costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and other overhead expenses. Selling and administrative expenses are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes to job performance, job conditions, and estimated profitability may result in revisions to contract revenue and costs and are recognized in the period in which the revisions are made. We provided for estimated losses on uncompleted contracts of $6,000, $12,000 and $0 at December 31, 2005, 2004 and 2003, respectively.

Inventory Costing

All inventories are currently valued at the lower of cost or market, using the first-in, first-out (FIFO) method. Prior to December 31, 2004, inventories were valued at the lower of cost or market using the last-in, first-out (LIFO) inventory method for the labor content of work-in-process and finished products and substantially all inventories of steel at our Cincinnati Facility (approximately 69% of total inventories at December 31, 2003). The remaining contents in our inventory were valued using the FIFO method. Management changed its method of accounting for its LIFO inventory to the FIFO method as management believes the FIFO method is preferable because it provides a better matching of costs to revenues, provides a more meaningful presentation of the Company's financial position by reflecting recent costs in the balance sheet, and provides for a uniform costing method across the Company's operations. The LIFO method of inventory valuation for all classes of inventory approximated the FIFO value at December 31, 2003 and 2002 and therefore, prior periods

have not been restated for this accounting change. The effect of the change for the three months ended December 31, 2004 and the year ended December 31, 2004 was an increase to inventory of $108,000. The effect on net loss for the three months ended December 31, 2004 and the year ended December 31, 2004 was a reduction of $65,000. Net loss per share was reduced for the three months ended December 31, 2004 and the year ended December 31, 2004 by $.01.

Impairment of Long-Lived Assets, including Goodwill

We review the carrying value of our long-lived assets held for use and assets to be disposed of periodically when events or circumstances indicate a potential impairment and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of such assets. For all assets excluding goodwill and intangible assets with indefinite lives, the carrying value of a long-lived asset is considered impaired if the sum of the undiscounted cash flows is less than the carrying value of the asset. If this occurs, an impairment charge is recorded for the amount by which the carrying value of the long-lived assets exceeds its fair value. Effective January 1, 2002, we adopted SFAS No. 142, “Goodwill and Other Intangible Assets.” Under this accounting standard, we no longer amortize our goodwill and intangible assets with an indefinite life and are required to complete an annual impairment test. We have determined that we have a single reporting unit, as defined in SFAS No. 142, within our Company. We completed our impairment test during 2005 as required by this accounting standard and have not recognized an impairment charge related to the adoption of this accounting standard. The impairment test requires us to forecast our future cash flows, which requires significant judgment. As of December 31, 2005, we have $9.5 million of goodwill, $.7 million of intangible assets—finite life, $1.4 million of indefinite life intangible assets, and $8.8 million of property, plant, and equipment recorded on the consolidated balance sheets.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in our balance sheets, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and will provide necessary valuation allowances as required. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If we continue to operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to record a valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results. Gross deferred tax assets and gross deferred tax liabilities at December 31, 2005 totaled $2.0 million and $4.7 million, respectively.

Pension and Postretirement Benefit Plan Assumptions

We sponsor a pension plan for certain union employees. We also sponsor a postretirement healthcare benefit plan for certain office employees retiring before January 1, 1990. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to these plans. These factors include key assumptions, such as a discount rate and expected return on plan assets. In addition, our actuarial consultants use subjective factors such as withdrawal and mortality rates to estimate these liabilities. The actuarial assumptions we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension or postretirement healthcare benefit expenses we have recorded or may record in the future. An analysis for the expense associated with our pension plan is difficult due to the variety of assumptions utilized. For example, one of the significant assumptions used to determine projected benefit obligation is the discount rate. At December 31, 2005, a 25 basis point change in the discount

rate would change the projected benefit obligation by approximately $160,000, and the annual post-retirement expense by less than $13,500. Additionally, a 25 basis point change in the expected return on plan assets would change the annual post-retirement expense by approximately $10,000.

Other Significant Accounting Policies

Other significant accounting policies, not involving the same level of uncertainties as those discussed above, are nevertheless important to an understanding of our financial statements. See Note 1 to the consolidated financial statements, Summary of Significant Accounting Policies, which discusses accounting policies that must be selected by us when there are acceptable alternatives.

Backlog

Our backlog consists of orders we have received for products and services we expect to ship and deliver within the next 12 months. Our backlog, as of December 31, 2005 was $28.9 million compared to $20.7 million as of December 31, 2004. There can be no assurances that backlog will be replicated, increased or translated into higher revenues in the future. The success of our business depends on a multitude of factors related to our backlog and the orders secured during the subsequent period(s). Certain contracts are highly dependent on the work of contractors and other subcontractors participating in a project, over which we have no or limited control, and their performance on such project could have an adverse effect on the profitability of our contracts. Delays resulting from these contractors and subcontractors, changes in the scope of the project, weather, and labor availability also can have an effect on a contract's profitability.

Reclassifications

Certain prior-year amounts have been reclassified to conform to the current-year presentation.

New Accounting Standards

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections—a Replacement of APB Opinion No. 20 and FASB Statement No. 3." This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. This Statement is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. The adoption of this Statement is not expected to have a material effect on our Condensed Consolidated Financial Statements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued FAS 123 (revised 2004)—Share-Based Payments ("FAS 123-R"). FAS 123-R replaces FAS 123—Accounting for Stock-Based Compensation, and supersedes APB 25—Accounting for Stock Issued to Employees. As revised by the Securities and Exchange Commission, we will be required to adopt FAS 123-R beginning January 1, 2006. FAS 123-R requires all share-based awards to employees, and any subsequent modifications to those awards, to be recognized in the financial statements based on a fair-value-based method. The pro forma disclosures previously permitted under FAS 123 will no longer be an alternative to financial statement recognition.

Under FAS 123-R, we must determine the appropriate fair-value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. FAS 123-R permits companies to adopt the new standard using either a modified prospective transition

method or a modified retrospective transition method. Using the modified prospective transition method, compensation expense would be recorded for all unvested awards at the beginning of the first quarter of FAS 123-R adoption based upon the values assigned to grants and modifications of stock compensation used in the proforma disclosures made in accordance with the original provisions of FAS 123. Under the modified retrospective method, companies are permitted to restate financial statements of previous periods using those proforma amounts.

We are currently evaluating the requirements of this standard. We expect that the effect on net income and earnings per share in the periods following adoption will be consistent with amounts reported in our pro forma disclosures under FAS 123 (see Note1). However, the actual effect on net income and earnings per share will vary depending on the terms and number of options ultimately granted.

Forward-Looking Statements

We desire to take advantage of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 and are making this cautionary statement in connection with such safe harbor legislation. This Form 10-K, the Annual Report to Shareholders or Form 8-K of CECO or any other written or oral statements made by or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words “believe,” “expect,” “anticipate,” “intends,” “estimate,” “forecast,” “project,” “should” and similar expressions are intended to identify “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All forecasts and projections in this Form 10-K are “forward-looking statements,” and are based on management’s current expectations of our near-term results, based on current information available pertaining to us.

We wish to caution investors that any forward-looking statements made by or on our behalf are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to: changing economic and political conditions in the United States and in other countries, changes in governmental spending and budgetary policies, governmental laws and regulations surrounding various matters such as environmental remediation, contract pricing, and international trading restrictions, customer product acceptance, and continued access to capital markets, and foreign currency risks. We wish to caution investors that other factors might, in the future, prove to be important in affecting our results of operations. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Investors are further cautioned not to place undue reliance on such forward-looking statements as they speak only to our views as of the date the statement is made. We undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Item 7a. ***Quantitative and Qualitative Disclosure About Market Risk***

Risk Management Activities

In the normal course of business, we are exposed to market risk including changes in interest and raw material commodity prices. We may use derivative instruments to manage our interest rate exposures. We do not use derivative instruments for speculative or trading purposes. Generally, we enter into hedging relationships such that changes in the fair values of cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives.

Interest Rate Management

The remaining amount of loans outstanding under the Credit Agreement bear interest at the floating rates as described in Note 9 to the consolidated statements contained in Item 8.

The following table presents information of all dollar-denominated interest rate instruments. The fair value presented below approximates the cost to settle the outstanding contract.

	Expected Maturity Date							
	2006	2007	2008	2009	2010	Thereafter	Total	Fair Value
($ in thousands)								
Liabilities								
Variable Rate Debt ($)	568	4,302	620	620	620	52	6,782	6,782
Average Interest Rate	9.50%	9.50%	—	—	—	—	9.50%	9.50%
Subordinated Notes due 2006	1,000	—	—	—	—	—	1,000	1,000
Subordinated Notes due 2007	—	6,441	—	—	—	—	6,441	5,982
Effective Interest Rate[1]	—	16.5%[1]	—	—	—	—	16.5%[1]	18.0%[1]
Subordinated Note due 2007	—	1,290	—	—	—	—	1,290	1,160
Average Interest Rate	—	—	6.0%	—	—	—	6.0%	12%

[1] Rate includes amortization of original issue discount related to detachable warrants and adjustment for capitalization of previously recorded accrued interest.

Raw Materials

The profitability of our manufactured products is affected by changing purchase prices of steel and other materials. If higher steel or other material prices cannot be passed onto to our customers, operating income will be adversely affected.

Credit Risk

As part of our ongoing control procedures, we monitor concentrations of credit risk associated with financial institutions with which we conduct business. Credit risk is minimal as credit exposure is limited with any single high quality financial institution to avoid concentration. We also monitor the creditworthiness of our customers to which we grant credit terms in the normal course of business. Concentrations of credit associated with these trade receivables are considered minimal due to our geographically diverse customer base. Bad debts have not been significant. We do not normally require collateral or other security to support credit sales.

Item 8. *Financial Statements and Supplementary Data*

The consolidated financial statements of CECO Environmental Corp. and subsidiaries for the years ended December 31, 2005, 2004 and 2003 and other data are included in this Report following the signature page of this Report:

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of December 31, 2005. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported on a timely basis and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. There were no significant changes in our disclosure controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the evaluation.

Changes in Internal Control over Financial Reporting

During the fourth quarter of fiscal 2005, there were no significant changes in the Company's internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information regarding the Company's directors set forth in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held May 24, 2006 (the "Proxy Statement") in the section entitled "Directors and Nominees" is incorporated herein by reference.

Information regarding the identification of the Audit Committee as a separately designated standing committee of the Board and information regarding the status of one or more members of the Audit Committee being an "audit committee financial expert" is set forth in the Proxy Statement in the section entitled "Board of Directors and its Committees," which information is incorporated herein by reference.

Information regarding procedures by which security holders may recommend nominees to the Board of Directors is set forth in the Proxy Statement in the section entitled "Board of Directors and its Committees," which information is incorporated herein by reference.

Reporting of any inadvertent late filings under Section 16(a) of the Securities Exchange Act of 1934, as amended, is set forth in the section of the Proxy Statement entitled "Compliance with Section 16(a) of the Exchange Act." This information is incorporated herein by reference.

Code of Ethics

We have adopted a Code of Ethics that applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller and persons performing similar functions). A copy of the Code of Ethics is attached to this Form 10-K as Exhibit 14.

Item 11. *Executive Compensation*

The information in the Proxy Statement set forth under the caption "Executive Compensation," "Board of Directors and its Committees" and "Director Compensation" is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Transactions***

Securities Authorized for Issuance Under Equity Compensation Plans

EQUITY COMPENSATION PLAN INFORMATION

December 31, 2005 Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights, compensation plans	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	263,700	$ 2.64	1,236,300
Equity compensation plans not approved by security holders	3,285,000[1]	$ 2.42	None
TOTAL	3,548,700	$ 2.44	1,236,300

[1] Includes:

(a) a warrant to purchase 448,000 shares of Common Stock for $2.9375 per share granted to Mr. Richard Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic;

(b) a warrant to purchase 335,000 shares of Common Stock for $2.9375 per share granted to Mr. David Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic;

(c) a warrant to purchase 217,000 shares of Common Stock for $2.9375 per share granted to Mr. Larry Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic;

(d) 25,000 shares of common stock that Mr. Jason DeZwirek can purchase on or prior to October 5, 2011 at a price of $2.01 per share pursuant to options granted to Mr. Jason DeZwirek on October 5, 2001; Mr. Jason DeZwirek exercised these options on January 6, 2006;

(e) (i) 750,000 shares of common stock that Mr. Phillip DeZwirek can purchase on or prior to November 7, 2006 at a price of $1.75 per share pursuant to warrants granted to Mr. Phillip DeZwirek on November 7, 1996 (which were exercised by Mr. Phillip DeZwirek on January 6, 2006); (ii) 250,000 shares that may be purchased pursuant to warrants granted January 14, 1998 at a price of $2.75 per share prior to January 14, 2008; (iii) 250,000 shares of common stock that may be purchased by Mr. Phillip DeZwirek pursuant to warrants granted September 14, 1998 at a price of $1.625 per share prior to September 14, 2008 (which were exercised by Mr. Phillip DeZwirek on January 6, 2006); (iv) 500,000 shares that may be purchased pursuant to warrants granted to Mr. Phillip DeZwirek January 22, 1999, which are exercisable prior to January 22, 2009 at a price of $3.00 per share; and (v) 500,000 shares that may be purchased pursuant to warrants granted to Mr. Phillip DeZwirek August 14, 2000, which are exercisable prior to August 14, 2010 at a price of $2.0625 per share; and

(f) 10,000 shares of common stock that Mr. Donald Wright can purchase pursuant to options granted June 30, 1998 at a price per share of $2.75 prior to June 30, 2008.

The information set forth under the caption “Beneficial Ownership of Shares,” “Security Ownership of Management” and “Changes in Control” of the Proxy Statement is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

Information concerning "Certain Relationships and Related Transactions" is set forth in the section entitled "Certain Transactions" in the Proxy Statement, which information is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

Information concerning "Principal Accountant Fees and Services," including the Audit Committee Pre-Approval Policy, is set forth in the section entitled "Independent Registered Public Accounting Firm Fees" in the Proxy Statement, which information is incorporated herein by reference.

Item 15. ***Exhibits, Financial Statement Schedules***

(a) 1. Financial statements are set forth in this report following the signature page of this report.

2. Consolidated Financial statement schedule

All other financial statement schedules are omitted because they are not applicable or because the required information is shown in the financial statements or in the notes thereto.

3. Exhibit Index. The exhibits listed below, as part of Form 10-K, are numbered in conformity with the numbering used in Item 601 of Regulation S-K of the Securities and Exchange Commission.

2.1 Certificate of Ownership and Merger Merging CECO Environmental Corp. into CECO Environmental Corp. (Incorporated by reference from Form 10-K dated December 31, 2001)

2.2 Certificate of Merger of CECO Environmental Corp. into CECO Environmental Corp. Under Section 907 of the Business Corporation Law. (Incorporated by reference from Form 10-K dated December 31, 2001)

3(i) Certificate of Incorporation. (Incorporated by reference from Form 10-K dated December 31, 2001)

3(ii) Bylaws. (Incorporated by reference from Form 10-K dated December 31, 2001)

** 10.1 CECO Filters, Inc. Savings and Retirement Plan. (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1990)

** 10.2 CECO Environmental Corp. 1997 Stock Option Plan and Amendment. (Incorporated by reference from Form S-8, Exhibit 4, filed March 24, 2000, of the Company)

10.3 Mortgage dated October 28, 1991 by CECO and the Montgomery County Industrial Development Corporation ("MCIDC"). (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)

10.4 Installment Sale Agreement dated October 28, 1991 between CECO and MCIDC. (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)

10.5 Lease dated as of March 10, 1992 between CECO and BTR North America, Inc. (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)

10.6 Consulting Agreement dated as of January 1, 1994 and effective as of July 1, 1994 between the Company and CECO. (Incorporated by reference to Form 10-QSB dated September 30, 1994 of the Company)

** 10.7 Warrant Agreement dated as of January 14, 1998 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

10.8 Lease between Busch Co. and Richard Roos dated January 10, 1980, Amendment to Lease dated August 1, 1988 between Busch Co. and Richard Roos, Amendment to Lease dated May 21, 1991 between Richard A. Roos and Busch Co. and Amendment to Lease dated June 1, 1991 between JDA, Inc. and Busch Co. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1997)

10.9 Assignment of Lease dated September 25, 1997 among Richard A. Roos, JDA, Inc., Busch Co. and New Busch Co., Inc. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

10.10 Lease between Joseph V. Salvucci and Busch Co. dated October 17, 1994. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1997)

** 10.11 Warrant Agreement dated as of January 22, 1999 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

** 10.12 Option for the Purchase of Shares of Common Stock for Donald Wright dated June 30, 1998. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

10.13 Stock Purchase Agreement, dated as of December 7, 1999, among CECO Environmental Corp., CECO Filters, Inc. and the Stockholders of The Kirk & Blum Manufacturing Company and kbd/Technic, Inc. and Richard J. Blum, Lawrence J. Blum and David D. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

** 10.15 Stock Purchase Warrant, dated as of December 7, 1999, granted by CECO Environmental Corp. to Richard J. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

** 10.17 Stock Purchase Warrant, dated as of December 7, 1999, granted by CECO Environmental Corp. to Lawrence J. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

** 10.19 Stock Purchase Warrant, dated as of December 7, 1999, granted by CECO Environmental Corp. to David D. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

10.20 Kbd/Technic, Inc. Voting Trust Agreement, dated as of December 7, 1999, Richard J. Blum, trustee. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

** 10.21 Stock Option Agreement for Donald A. Wright dated September 18, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

** 10.22 Warrant Agreement dated as of August 14, 2000 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

* 10.23 Second Amended and Restated Replacement Promissory Note in the amount of $500,000, dated as of February 2, 2006, made by CECO Environmental Corp. and payable to Harvey Sandler.

* 10.24 Third Amended and Restated Replacement Promissory Note in the amount of $500,000, dated as of February 6, 2006, made by CECO Environmental Corp. and payable to ICS Trustee Services, Ltd.

10.25 Form of Warrant (for Investors). (Incorporated by reference from the Company's Form 8-K filed January 15, 2002)

10.26 Form of Warrant (for Finders). (Incorporated by reference from Form 10-K dated December 31, 2001)

10.27 Lease Agreement between LFT Realty Group and CECO Filters, Inc. dated April 13, 2003. (Incorporated by reference from the Company's Form 10-K dated December 31, 2003)

** 10.28 Stock Option Agreement for Dennis W. Blazer dated December 13, 2004. (Incorporated by reference from the Company's Form 10-K dated December 31, 2004)

** 10.29 Stock Option Agreement for Thomas J. Flaherty dated January 5, 2005. (Incorporated by reference from the Company's Form 10-K dated December 31, 2004)

** 10.30 Stock Option Agreement for Donald A. Wright dated January 5, 2005. (Incorporated by reference from the Company's Form 10-K dated December 31, 2004)

** 10.31 Indemnification Agreement between the Company and Marshall J. Morris dated November 30, 2004. (Incorporated by reference from the Company's Form 10-K dated December 31, 2004)

* 10.32 Second Amended and Restated Replacement Promissory Note in the amount of $1,290,477 dated as of December 29, 2005 made by CECO Environmental Corp. and payable to Green Diamond Oil Corp.

* 10.33 Fourth Amended and Restated Replacement Promissory Note in the amount of $5,441,315 dated as of December 29, 2005 made by CECO Environmental Corp. and payable to Green Diamond Oil Corp.

*;** 10.34 Stock Option Agreement for Ronald Krieg dated April 20, 2005.

*;** 10.35 Stock Option Agreement for Arthur Cape dated May 25, 2005.

10.36 Restated and Amended Purchase Agreement between The Kirk & Blum Manufacturing Company and Trademark Property Company for the sale of the Cincinnati manufacturing and corporate office facilities dated June 20, 2005. (Incorporated by reference from the Company's Form 10-Q dated June 30, 2005)

10.37 First Amendment to Restated and Amended Purchase Agreement between The Kirk & Blum Manufacturing Company and Trademark Property Company for the sale of the Cincinnati manufacturing and corporate office facilities dated July 14, 2005. (Incorporated by reference from the Company's Form 10-Q dated September 30, 2005)

* 10.38 Purchase Agreement between The Kirk & Blum Manufacturing Company and Buckley Properties Co. for the purchase of Buckley's manufacturing and corporate office facility dated September 7, 2005.

10.39 Second Amendment to Restated and Amended Purchase Agreement between The Kirk & Blum Manufacturing Company and Trademark Property Company for the sale of the Cincinnati manufacturing and corporate office facilities dated September 14, 2005 (Incorporated by reference from the Company's Form 10-Q dated September 30, 2005)

10.40 Third Amendment and Assignment to Restated and Amended Purchase Agreement between The Kirk & Blum Manufacturing Company, Trademark Property Company and Millworks Town Center LLC for the

sale of the Cincinnati manufacturing and corporate office facilities dated October 19, 2005. (Incorporated by reference from the Company's Form 10-Q dated September 30, 2005)

10.41 Credit Agreement between CECO Environmental and its affiliates and Fifth Third Bank dated December 29, 2005. (Incorporated by reference from the Company's Form 8-K dated December 28, 2005)

10.42 Fourth Amendment to Restated and Amended Purchase Agreement between The Kirk & Blum Manufacturing Company and Millworks Town Center LLC for the sale of the Cincinnati manufacturing and corporate office facilities dated December 29, 2005. (Incorporated by reference from the Company's Form 8-K dated December 29, 2005)

* 10.43 Letter Agreement with Fifth Third Bank permitting use of proceeds from the exercise of warrants to pay accrued interest amounts due Green Diamond Oil Company on two subordinated notes.

10.44 Transition Agreement between H.M. White, Inc., H.M. White Holding Co., Inc. and HMW, LLC dated as of January 1, 2006. (Incorporated by reference from the Company's Form 8-K dated February 1, 2006)

* 10.45 First Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated November 14, 2005.

* 10.46 Second Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated November 30, 2005.

* 10.47 Third Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated December 15, 2005.

* 10.48 Fourth Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated January 13, 2006.

* 10.49 Fifth Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated February 1, 2006.

* 10.50 Sixth Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated February 15, 2006.

* 10.51 Seventh Amendment to Purchase Agreement between Buckley Properties Co. and The Kirk & Blum Manufacturing Company dated March 8, 2006.

10.52 Fifth Amendment to Restated and Amended Purchase Agreement between The Kirk & Blum Manufacturing Company and Millworks Town Center LLC for the sale of the Cincinnati manufacturing and corporate office facilities dated March 1, 2006. (Incorporated by reference from the Company's Form 8-K dated March 1, 2006)

* 14 Code of Ethics

* 21 Subsidiaries of the Company

* 31.1 Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer

*	31.2	Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer
*	32.1	Certification of Chief Executive Officer (18 U.S. Section 1350)
*	32.2	Certification of Chief Financial Officer (18 U.S. Section 1350)

* Filed herewith

** Management contracts or compensation plans or arrangements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CECO ENVIRONMENTAL CORP.

By: /s/ PHILLIP DEZWIREK

Phillip DeZwirek,
Chief Executive Officer
Dated: March 30, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Principal Executive Officer

/s/ PHILLIP DEZWIREK	March 30, 2006
Phillip DeZwirek, **Chairman of the Board,** **Director and Chief Executive Officer**	

Principal Financial and Accounting Officer

/s/ DENNIS W. BLAZER	March 30, 2006
Dennis W. Blazer **Vice President-Finance and Administration;** **Chief Financial Officer**	
/s/ RICHARD J. BLUM	March 30, 2006
Richard J. Blum, **President, Director**	
/s/ JASON LOUIS DEZWIREK	March 30, 2006
Jason Louis DeZwirek, **Director**	
/s/ THOMAS J. FLAHERTY	March 30, 2006
Thomas J. Flaherty, **Director**	
/s/ RONALD E. KRIEG	March 30, 2006
Ronald E. Krieg, **Director**	
/s/ ARTHUR CAPE	March 30, 2006
Arthur Cape, **Director**	
/s/ DONALD A. WRIGHT	March 30, 2006
Donald A. Wright, **Director**	

CECO ENVIRONMENTAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
CECO Environmental Corp.
Cincinnati, Ohio

We have audited the accompanying consolidated balance sheet of CECO Environmental Corp. and subsidiaries as of December 31, 2005, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CECO Environmental Corp. and subsidiaries as of December 31, 2005, and the results of their operations and their cash flows for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

/s/ Battelle & Battelle LLP

Dayton, Ohio
March 30, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
CECO Environmental Corp.

We have audited the accompanying consolidated balance sheet of CECO Environmental Corp. and subsidiaries (the "Company") as of December 31, 2004, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
March 31, 2005

CECO ENVIRONMENTAL CORP.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2005	2004
	Dollars in thousands except per share data	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 310	$ 339
Accounts receivable, net	13,151	14,055
Costs and estimated earnings in excess of billings on uncompleted contracts	4,681	4,181
Inventories	1,981	1,689
Prepaid expenses and other current assets	1,672	1,515
Total current assets	21,795	21,779
Property and equipment, net	8,796	9,385
Goodwill, net	9,527	9,527
Intangible assets—finite life, net	658	737
Intangible assets—indefinite life	1,395	1,395
Deferred charges and other assets	729	618
	$42,900	$43,441
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 568	$ 4,188
Current portion of subordinated notes	1,000	—
Accounts payable and accrued expenses	12,017	12,175
Billings in excess of costs and estimated earnings on uncompleted contracts	3,766	3,470
Detachable stock warrants	842	36
Total current liabilities	18,193	19,869
Other liabilities	1,934	1,967
Debt, less current portion	6,214	4,549
Deferred income tax liability	3,143	2,462
Subordinated notes (including, related party—$6,633 and $6,884, respectively)	6,633	7,345
Total liabilities	36,117	36,192
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000 shares authorized, none issued	—	—
Common stock, $.01 par value; 100,000,000 shares authorized, 10,168,479 and 10,168,479 shares issued in 2005 and 2004, respectively	102	102
Capital in excess of par value	15,017	15,017
Accumulated deficit	(7,072)	(6,637)
Accumulated other comprehensive loss	(791)	(760)
	7,256	7,722
Less treasury stock, at cost, 175,220 and 175,220 shares in 2005 and 2004, respectively	(473)	(473)
Total shareholders' equity	6,783	7,249
	$42,900	$43,441

The notes to consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2005	2004	2003
	Dollars in thousands, except per share data		
Net sales	$ 81,521	$ 69,366	$ 68,159
Costs and expenses:			
Cost of sales, exclusive of items shown separately below	64,521	56,271	55,148
Selling and administrative	12,308	10,656	10,402
Depreciation and amortization	1,167	1,254	1,245
	77,996	68,181	66,795
Income from operations	3,525	1,185	1,364
Other (expense) income	(900)	200	213
Interest expense (including related party interest of $1,049, $873 and $817, respectively)	(2,413)	(2,561)	(2,611)
Income (loss) before income taxes	212	(1,176)	(1,034)
Income tax expense (benefit)	647	(248)	(367)
Net loss	$ (435)	$ (928)	$ (667)
Net loss per share—basic and diluted	$ (.04)	$ (.09)	$ (.07)
Weighted average number of common shares outstanding:			
Basic and diluted	9,993,260	9,989,666	9,852,280

The notes to consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Capital in Excess of Par Value	Accumu-lated Deficit	Accumulated Other Compre-hensive Loss	Treasury Stock		Total	Total Compre-hensive Loss
	Shares	Amount				Shares	Amount		
				Dollars in thousands					
Balance, January 1, 2003	10,391	$ 104	$ 16,313	$ (5,042)	$ (865)	(801)	$ (1,804)	$8,706	
Net loss for the year ended December 31, 2003				(667)				(667)	$ (667)
Issuance of common stock	13		20					20	
Issuance of common stock under contingent stock warrants	382	4	(4)						
Other comprehensive loss:									
Minimum pension liability, net of tax $(20)					(29)			(29)	(29)
Balance, December 31, 2003	10,786	108	16,329	(5,709)	(894)	(801)	(1,804)	8,030	$ (696)
Net loss for the year ended December 31, 2004				(928)				(928)	$ (928)
Issuance of common stock	8		13					13	
Treasury stock retirement	(626)	(6)	(1,325)	.		626	1,331		
Other comprehensive loss:									
Minimum pension liability, net of tax $90					136			136	136
Translation loss					(2)			(2)	(2)
Balance, December 31, 2004	10,168	102	15,017	(6,637)	(760)	(175)	(473)	7,249	$ (794)
Net loss for the year ended December 31, 2005				(435)				(435)	$ (435)
Other comprehensive loss:									
Minimum pension liability, net of tax $(22)					(33)			(33)	(33)
Translation gain					2			2	2
Balance, December 31, 2005	10,168	$ 102	$ 15,017	$ (7,072)	$ (791)	(175)	$ (473)	$6,783	$ (466)

The notes to consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2005	2004	2003
	Dollars in thousands		
Cash flows from operating activities:			
Net loss	$ (435)	$ (928)	$ (667)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	1,167	1,254	1,245
Non cash interest expense included in net loss	357	682	623
Non cash warrant valuation expense included in net loss	806	36	—
Non cash gains included in net loss	(81)	(74)	(213)
Non cash loss from disposal of fixed assets	174	—	—
Deferred income taxes	423	(553)	(310)
Changes in operating assets and liabilities:			
Accounts receivable	904	(2,657)	639
Costs and estimated earnings in excess of billings on uncompleted contracts	(500)	(841)	784
Inventories	(292)	(114)	480
Prepaid expenses and other current assets	101	575	(72)
Deferred charges and other assets	(193)	—	(330)
Accounts payable and accrued expenses	(158)	2,795	(456)
Other liabilities	16	(547)	265
Billings in excess of costs and estimated earnings on uncompleted contracts	296	2,150	(332)
Other	1	104	(63)
Net cash provided by operating activities	2,586	1,882	1,593
Cash flows from investing activities:			
Acquisitions of property and equipment and intangible assets	(661)	(472)	(112)
Proceeds from sale of property	—	—	1,568
Net cash (used in) provided by investing activities	(661)	(472)	1,456
Cash flows from financing activities:			
Net (repayments) borrowings on revolving credit line	(866)	874	(1,198)
Proceeds from issuance of stock	—	13	20
Repayments of debt	(1,088)	(2,094)	(3,129)
Proceeds from subordinated debt	—	—	1,200
Net cash used in financing activities	(1,954)	(1,207)	(3,107)
Net (decrease) increase in cash and cash equivalents	(29)	203	(58)
Cash and cash equivalents at beginning of year	339	136	194
Cash and cash equivalents at end of year	$ 310	$ 339	$ 136
Supplemental Schedule of Non-Cash Financing Activities:			
Increase in principal balances of subordinated notes for accrued interest	$ —	$ 1,532	$ —

The notes to consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2005	2004	2003
Cash paid (refunded) during the year for:			
Interest	$1,514	$1,163	$1,331
Income taxes	$ 30	$ (330)	$ (183)

The notes to consolidated financial statements are an integral part of the above statements.

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2005, 2004 and 2003

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business—The principal businesses of CECO Environmental Corp. is to provide innovative solutions to industrial ventilation and air quality problems through dust, mist and fume control systems and particle and chemical technologies to industrial and commercial customers, primarily in the United States.

Principles of consolidation—Our consolidated financial statements include the accounts of the following subsidiaries:

	% Owned As Of December 31, 2005
CECO Group, Inc. (“Group”)	100%
CECO Filters, Inc. and Subsidiaries (“CFI”)	99%
The Kirk & Blum Manufacturing Company (“K&B”)	100%
kbd/Technic, Inc (“kbd”)	100%
CECO Abatement Systems, Inc (“CAS”)	100%
CECOaire Inc (“CAI”)	100%

CFI includes two wholly owned subsidiaries, New Busch Co., Inc. (“Busch”) and CECO Filters India Private Limited. In 2002, we increased our ownership in CFI from 94% to 99% by contributing our intercompany receivable from CFI and receiving in exchange additional shares of CFI. Minority interest is not material and is included in other liabilities in the consolidated financial statements.

All material intercompany balances and transactions have been eliminated.

Business Segment Information—Our structure and operational integration results in one segment that focuses on engineering, designing, building and installing systems that remove airborne contaminants from industrial facilities, as well as equipment that controls emissions from such facilities. Accordingly, the condensed consolidated financial statements herein reflect the operating results of the segment.

Use of estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents—We consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments in marketable securities—Investments in marketable securities are generally comprised of corporate common stock securities. These investments generally are classified as trading securities, which are carried at their fair value based on quoted market prices. Accordingly, net realized and unrealized gains and losses on trading securities and interest income are included in other (expense) income. Realized gains and losses are recorded based on the specific identification method. We did not have any investments of marketable securities at December 31, 2005, while at December 31, 2004 the fair value of investments in marketable securities totaled $99,000 all of which is restricted for bonding purposes. These investments are included in prepaid expenses and other current assets in the consolidated balance sheets.

Accounts Receivable—Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment generally within 30 days from the invoice date unless otherwise determined by specific

contract. The Company's estimate of the allowance for doubtful accounts for trade receivables is primarily determined based upon the length of time that the receivables are past due. In addition, management estimates are used to determine probable losses based upon an analysis of prior collection experience, specific account risks, and economic conditions.

The Company has a series of actions that occur based upon the aging of past due trade receivables, including letters, statements, direct customer contact and liens. Accounts are deemed uncollectible based on past account experience and current account financial condition.

Inventories—Prior to December 31, 2004, the Company valued the labor content of work-in-process and finished products inventories and substantially all steel inventories at the Company's Cincinnati Facility (approximately 69% of total inventories at December 31, 2003) at the lower of cost or market using the last-in, first-out (LIFO) inventory costing method. The Company's remaining inventories were valued at the lower of cost or market using the first-in, first-out (FIFO) inventory costing method. Effective December 31, 2004, management changed its method of accounting for the Company's LIFO inventory to the FIFO method. Management believes the FIFO method is preferable because it provides for: a uniform costing method for all of the Company's inventories; a better matching of costs to revenues; and a more meaningful presentation of the Company's financial position by reflecting recent costs in the balance sheet. The LIFO method of inventory valuation for all classes of inventory approximated the FIFO value at December 31, 2003 and 2002, therefore, prior periods have not been restated for this accounting change. The effect of the change for the three months ended December 31, 2004 and the year ended December 31, 2004 was an increase to inventory of $108,000. The effect on net loss for the three months ended December 31, 2004 and the year ended December 31, 2004 was a reduction of $65,000. Loss per share was reduced for the three months ended December 31, 2004 and the year ended December 31, 2004 by $.01.

Accounting for long-lived assets—Our policy is to assess the recoverability of long-lived assets when there are indications of potential impairment and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of such assets.

Property and equipment—Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to income as incurred. Depreciation and amortization are computed using the straight-line and accelerated methods over the estimated useful lives of the assets, which range from 12 to 40 years for building and improvements and 3 to 10 years for machinery and equipment.

Intangible assets—Indefinite life intangible assets are comprised of tradenames, while finite life intangible assets are comprised of patents. The ratable amortization of the goodwill associated with acquisitions and other intangible assets with indefinite lives was replaced with periodic tests for impairment with our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002. Other intangible assets with finite lives are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 17 years. In accordance with SFAS No. 142, we ceased amortization of goodwill and intangible assets with indefinite lives effective January 1, 2002. The ceasing of the amortization of such assets resulted in a reduction in amortization expense of $476,000 for the year ended December 31, 2002. During 2002, we evaluated the fair value of intangible assets with indefinite lives and goodwill and determined that the fair values were in excess of the carrying values of such assets. In the fourth quarter of 2005, we completed our annual tests for impairment and determined that the fair values of these net assets continue to be in excess of the carrying values of such assets.

Cash Surrender Value of Life Insurance—We have whole life insurance policies in force on the lives of six former shareholders of certain subsidiaries. These policies were purchased by these subsidiaries prior to their

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

acquisition by CECO Environmental, Inc. in 1999 and were originally intended to provide funding for repurchasing shares in the event of the death of a shareholder. The policies are fully paid up and the cash surrender values have been borrowed to pay premiums and interest on the policy loans, and to provide an occasional low cost source of financing for the Company. Interest on the policy loans is recorded to interest expense and the loan amounts on the cash surrender values are increased to cover payment of this expense. The net value of these policies, reported as other long term assets, was $384,000, $425,000 and $423,000 as of December 31, 2005, 2004 and 2003, respectively. The net cash surrender value approximates fair value.

Deferred charges—Deferred charges primarily represent deferred financing costs, which are amortized to interest expense over the life of the related loan. Amortization expense was $71,000, $405,000 and $348,000 for 2005, 2004 and 2003, respectively.

Financial Instruments—On January 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". Under this guidance all derivative instruments, including those embedded in other contracts are recognized as either assets or liabilities and those financial instruments are measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation.

We are exposed to market risk from changes in interest rates. Our policy is to manage interest rate costs using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, we may enter into interest rate swaps or other hedge type arrangements, in which we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. Our interest rate swaps matured in 2002 and were not replaced.

Revenue recognition—Revenues from contracts, representing the majority of our revenues, are recognized on the percentage of completion method, measured by the percentage of contract costs incurred to date compared to estimated total contract costs for each contract. This method is used because management considers contract costs to be the best available measure of progress on these contracts. Our remaining revenues are recognized when risk and title passes to the customer, which is generally upon shipment of product.

Contract costs include direct material, labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Selling and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to contract revenue and costs and are recognized in the period in which the revisions are made. Our reserve for estimated losses on uncompleted contracts is $6,000 and $12,000 as of December 31, 2005 and 2004, respectively. No provision for estimated losses on uncompleted contracts was necessary at December 31, 2003.

The asset, "Costs and estimated earnings in excess of billings on uncompleted contracts," represents revenues recognized in excess of amounts billed. The liability, "Billings in excess of costs and estimated earnings on uncompleted contracts," represents billings in excess of revenues recognized.

Claims—The Company recognizes certain significant claims for recovery of incurred costs when it is probable that the claim will result in additional contract revenue and when the amount of the claim can be reliably estimated. Unapproved change orders are accounted for in revenue and cost when it is probable that the costs will be recovered through a change in the contract price. In circumstances where recovery is considered

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

probable but the revenues cannot be reliably estimated, costs attributable to change orders are deferred pending determination of contract price.

Claims against customers are recognized as income by us when collectibility of the claim is probable and the amount can be reasonably estimated.

*Cost of sales—C*ost of sales amounts include materials, direct labor and associated benefits, inbound freight charges, purchasing and receiving, inspection, warehousing and internal transfer costs. Customer freight charges are included in sales and actual freight expenses are included in cost of sales.

Income taxes—Deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse.

Selling and administrative expenses—Selling and administrative expenses included sales and administrative wages and associated benefits, selling and office expenses, bad debt expense and change in life insurance cash surrender value.

Advertising costs—Advertising costs are charged to operations in the year incurred and totaled $157,000, $120,000 and $171,000 in 2005, 2004 and 2003, respectively.

Research and development—Research and development costs are charged to expense as incurred. The amounts charged to operations were $10,000, $16,000 and $28,000 in 2005, 2004 and 2003, respectively.

Earnings per share—For the years ended December 31, 2005, 2004 and 2003, both basic weighted average common shares outstanding and diluted weighted average common shares outstanding were 9,993,260, 9,989,666 and 9,852,280, respectively. We consider outstanding options and warrants in computing diluted net loss per share only when they are dilutive. Options and warrants to purchase 3,548,700, 3,553,700 and 3,453,700 shares for the years ended December 31, 2005, 2004 and 2003, respectively, were not included in the computation of diluted earnings per share due to their having an anti-dilutive effect. There were no adjustments to net loss for the basic or diluted earnings per share computations for any year presented.

Stock-based compensation—We apply Accounting Principles Board Opinion No. 25 and related interpretations in the accounting for stock option plans. Under such method, compensation is measured by the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay. The measurement date is the first date on which the number of shares that an individual employee is entitled to receive and the option or purchase price, if any, are known. We did not incur any compensation expense in 2005, 2004 or 2003 related to our stock option plans. We adopted the disclosure-only provisions of SFAS No. 123, “Accounting for Stock-Based Compensation” and related pronouncements.

The following table compares 2005, 2004 and 2003 as reported to the pro forma results, considering both options and warrants discussed in Note 11, had we adopted the expense recognition provision of SFAS No. 123:

	2005	2004	2003
	Dollars in thousands except per share data		
Net loss as reported	$ (435)	$ (928)	$ (667)
Deduct: compensation cost based on fair value recognition, net of tax	(39)	(50)	(368)
Pro forma net loss under SFAS No. 123.	$ (474)	$ (978)	$(1,035)
Basic and diluted loss per share:			
As reported	$(0.04)	$(0.09)	$ (0.07)
Pro forma under SFAS No. 123	(0.05)	(0.10)	(0.11)

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

Recent accounting pronouncements—In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections—a Replacement of APB Opinion No. 20 and FASB Statement No. 3." This Statement replaces APB Opinion No. 20, "Accounting Changes," and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements," and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. This Statement is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. The adoption of this Statement is not expected to have a material effect on our Condensed Consolidated Financial Statements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued FAS 123 (revised 2004)—Share-Based Payments ("FAS 123-R"). FAS 123-R replaces FAS 123—Accounting for Stock-Based Compensation, and supersedes APB 25—Accounting for Stock Issued to Employees. As revised by the Securities and Exchange Commission, we will be required to adopt FAS 123-R beginning January 1, 2006. FAS 123-R requires all share-based awards to employees, and any subsequent modifications to those awards, to be recognized in the financial statements based on a fair-value-based method. The pro forma disclosures previously permitted under FAS 123 will no longer be an alternative to financial statement recognition.

Under FAS 123-R, we must determine the appropriate fair-value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at the date of adoption. FAS 123-R permits companies to adopt the new standard using either a modified prospective transition method or a modified retrospective transition method. Using the modified prospective transition method, compensation expense would be recorded for all unvested awards at the beginning of the first quarter of FAS 123-R adoption based upon the values assigned to grants and modifications of stock compensation used in the proforma disclosures made in accordance with the original provisions of FAS 123. Under the modified retrospective method, companies are permitted to restate financial statements of previous periods using those proforma amounts.

We are currently evaluating the requirements of this standard. We expect that the effect on net income and earnings per share in the periods following adoption will be consistent with amounts reported in our pro forma disclosures under FAS 123 (see Note1). However, the actual effect on net income and earnings per share will vary depending on the terms and number of options ultimately granted.

2. Financial Instruments

Our financial instruments consist primarily of investments in cash and cash equivalents, receivables and certain other assets, such as cash surrender life insurance, as well as obligations under accounts payable, long-term debt and subordinated notes. The carrying values of these financial instruments approximate fair value at December 31, 2005 and 2004 except for subordinated notes for which fair value was $7,307,000 and $7,142,000 at December 31, 2005 and 2004, respectively.

Most of the debt obligations approximate their reported carrying amounts based on future payments discounted at current interest rates for similar obligations or interest rates which fluctuate with the market.

The fair value of marketable securities, all of which are restricted for bonding purposes, at December 31, 2005 and 2004 totaled $0 and $99,000 respectively. The carrying values of these financial instruments approximate fair value at December 31, 2005.

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

Concentrations of credit risk:

Financial instruments that potentially subject us to credit risk consist principally of cash and accounts receivable. We maintain cash and cash equivalents with various major financial institutions.

We perform periodic evaluations of the financial institutions in which our cash is invested. Concentrations of credit risk with respect to trade and contract receivables are limited due to the large number of customers and various geographic areas. Additionally, we perform ongoing credit evaluations of our customers' financial condition.

Union Contracts:

As of December 31, 2005, the Company's continuing operations included approximately 444 employees. Approximately 325 employees are represented by international or independent labor unions, under various contracts that expire in the years 2006 through 2008.

3. Accounts Receivable

$ in thousands	2005	2004
Trade receivables	$ 2,542	$ 1,784
Contract receivables	10,933	12,588
Allowance for doubtful accounts	(324)	(317)
	$13,151	$14,055

Balances billed, but not paid by customers under retainage provisions in contracts, amounted to approximately $374,000 and $549,000 at December 31, 2005 and 2004, respectively. Retainage receivables on contracts in progress are generally collected within twelve months.

Provision for doubtful accounts was approximately $136,000, $283,000 and $201,000 during 2005, 2004 and 2003, respectively, while accounts charged to the allowance were $130,000 $236,000 and $131,000 during 2005, 2004 and 2003, respectively.

4. Costs and Estimated Earnings on Uncompleted Contracts

$ in thousands	2005	2004
Costs incurred on uncompleted contracts	$ 34,292	$ 25,937
Estimated earnings	5,547	4,092
	39,839	30,029
Less billings to date	(38,924)	(29,318)
	$ 915	$ 711
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 4,681	$ 4,181
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,766)	(3,470)
	$ 915	$ 711

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

5. Inventories

$ in thousands	2005	2004
Raw material and subassemblies	$ 1,107	$ 888
Finished goods	160	251
Parts for resale	814	660
Obsolescence allowance	(100)	(110)
	$ 1,981	$ 1,689

Amounts credited to the allowance for obsolete inventory and charged to cost of sales amounted to $0, $110,000 and $0 during 2005, 2004 and 2003. Items charged to allowance for inventory recoveries were $10,000, $0 and $0 during 2005, 2004 and 2003.

6. Property and Equipment

$ in thousands	2005	2004
Land	$ 1,460	$ 1,460
Building and improvements	4,174	4,140
Machinery and equipment	11,253	10,875
	16,887	16,475
Less accumulated depreciation	(8,091)	(7,090)
	$ 8,796	$ 9,385

Depreciation expense was $1.1 million for 2005, 2004 and 2003, respectively

7. Goodwill and Intangible Assets

$ in thousands	2005	2004
Goodwill	$ 9,527	$ 9,527
Intangible assets—finite life	$ 1,346	$ 1,346
Less accumulated amortization	(688)	(609)
	$ 658	$ 737
Intangible assets—indefinite life	$ 1,395	$ 1,395

Indefinite life intangible assets are comprised of tradenames, while finite life intangible assets are comprised of patents. Amortization expense was $79,000, $79,000 and $78,000 for 2005, 2004 and 2003, respectively. Amortization of finite life intangible assets over the next five years is $78,000 in 2006 and 2007 and $77,000 in 2008, 2009 and 2010.

8. Accounts Payable and Accrued Expenses

$ in thousands	2005	2004
Trade accounts payable	$ 8,257	$ 9,762
Compensation and related benefits	1,240	901
Accrued interest	1,439	655
Other accrued expenses	1,081	857
	$12,017	$12,175

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

9. Debt

$ in thousands	2005	2004
Bank credit facility	$6,782	$ 8,737
Less current portion	(568)	(4,188)
	$6,214	$ 4,549

In December 2005, we refinanced our bank credit facility aggregating $16.1 million consisting of $3.1 million in term loans and a $13 million revolving credit line. Interest is charged based on the bank's prime rate plus 2.0 percentage points on the credit facility and plus 2.25 points on the term loan (9.25% and 9.5% at December 31, 2005).

At December 31, 2005, the revolving credit line, permits borrowings of up to the lesser of 1) $13 million less outstanding letters of credit, or 2) borrowings which are limited to 70% of eligible accounts receivable, plus 50% of eligible inventory, minus outstanding letters of credit. Amounts unused and available under our revolving credit facility were $4.3 and $5.1 million at December 31, 2005 and 2004, respectively. Amounts borrowed were $3.7 and $4.5 million at December 31, 2005 and 2004, respectively. Amounts outstanding under letters of credit were $979,000 and $365,000 at December 31, 2005 and 2004, respectively. The line of credit matures January 31, 2007.

On May 7, 2003, we received approximately $1.6 million in cash proceeds from the sale and leaseback of our Conshohocken, Pennsylvania property. Approximately $700,000 was used to reduce the revolving line of credit and the balance was used to reduce term debt.

Maturities of all long-term debt over the next five years are estimated as follows:

December 31,	Maturities
	$ in thousands
2006	568
2007	6,214
2008	—
2009	—
2010	—
Thereafter	—

Our property and equipment, accounts receivable, investments and inventory serve as collateral for our bank debt. Our debt agreements contain customary covenants and events of default.

10. Subordinated Notes

$ in thousands	2005	2004
Subordinated Notes due 2006, 12%	$1,000	$1,000
Subordinated Notes due 2007, 12%	5,343	5,055
Subordinated Note due 2007, 6%	1,290	1,290
	7,633	7,345
Less current portion	1,000	—
	$6,633	$7,345

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

During December 1999, as part of our refinancing activities (that were accomplished at the same time as the acquisition of K&B and kbd/Technic), we obtained $4.0 million of subordinated debt financing from Green Diamond Oil Corp., a company beneficially owned by two of our major shareholders. In addition, we obtained $1.0 million of subordinated debt financing with two unrelated parties. Interest on the notes accrues semi-annually at a rate of 12% per annum. The notes are subject to a subordination agreement and amendments to the Bank Credit Facility.

The notes provided for the issuance to the holders detachable stock warrants that expire December, 2009 (see Note 11). The fair value of the warrants was determined to be $1.8 million at the date of issuance and the subordinated debt was discounted by such amount. The discount is being amortized as a component of interest expense over the life of the subordination which matures in May 2006. The amortization of the discount was approximately $288,000, for each of the years ended December 31, 2005, 2004 and 2003, respectively. The effective annualized interest rate on the subordinated debt obligations is 17.75%, after taking into account the value of the warrants.

On September 30, 2003, $1.2 million of subordinated debt was raised from a related party with a maturity of April 1, 2007 and interest rate of 6% per annum. This debt is subordinated to the Bank Credit Facility and the subordinated debt originally issued in December 1999. The entire principal balance of this obligation will be due upon maturity. Proceeds were used to reduce the revolving line of credit. In connection with this agreement, accrued interest on the subordinated note totaling $77,000 and $90,000 at December 31, 2005 and 2004, respectively, was not paid.

On December 30, 2004, the subordinated notes with Green Diamond were amended to include the accrued interest on these notes through December 31, 2004 in the principal balance. The principal balance for the $4.0 million subordinated note was increased by the accrued interest of $1.4 million to $5.4 million, and the principal balance for the $1.2 million subordinated note was increased by $90,000 to $1.3 million, and the maturity date was extended to January 1, 2007. Accrued interest on subordinated notes was $1,210,366 at December 31, 2005 and $372,352 at December 31, 2004. Such interest may be paid in the future upon agreement with the financial institution.

11. Shareholders' Equity

Stock Option Plan

We maintain a stock option plan for our employees. Generally, options are exercisable one year from the date of grant, at the rate of 20% each year over the following five years and expire between five and ten years from the date of grant. There are 1,500,000 shares of our common stock that have been reserved for issuance under this plan.

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

The status of our stock option plan is as follows:

	2005		2004		2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	268,700	$ 2.53	168,700	$ 2.54	166,000	$ 2.60
Granted	55,000	2.90	100,000	2.53	10,000	1.90
Forfeited	(60,000)	—	—	—	(7,300)	3.02
Outstanding, end of year	263,700	2.64	268,700	2.53	168,700	2.54
Options exercisable at year end	171,200		174,700		130,700	
Available for grant at end of year	1,234,800		1,231,300		1,331,300	

For the years ended December 31, 2005, 2004 and 2003, no compensation expense was recognized under stock-based employee compensation plans.

The range of exercise prices on shares outstanding as of December 31, 2005 was as follows:

	Outstanding			Exercisable	
Range of Exercise Prices	Shares	Weighted Average Exercise Price	Remaining Contractual Life in Years	Shares	Weighted Average Exercise Price
$1.70 – 2.82	180,000	$ 2.25	4 – 9	140,000	$ 2.12
$3.35 – 3.88	83,700	$ 3.49	2 – 9	31,200	$ 3.66

The fair value of the options and warrants granted, which is amortized to expense over the option vesting period in determining the pro forma impact under SFAS No. 123, is estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions. The expected life of the options valued in 2005, 2004 and 2003 is 10 years. The risk free interest rate used was 4.38% in 2005, 2.7% in 2004 and 4.5% in 2003. The expected volatility of the Company's stock used in 2005, 2004 and 2003 was 67%, 67% and 70%, respectively. The expected dividend yield used in 2005, 2004 and 2003 was 0%.

The weighted average fair values at the date of grant for options and warrants granted during 2005 and 2004 was $2.90 and $2.53, respectively.

We may grant the right to purchase restricted shares of our common stock. Such shares are subject to restriction on transfer under Federal securities laws. During October 2001, we granted options to Jason Louis DeZwirek, a related party and a member of the Board of Directors, to purchase up to 25,000 shares of our common stock, exercisable at any time between April 5, 2002 and October 5, 2011, inclusive, at a price of $2.01, the fair market value at date of grant. Mr. DeZwirek exercised these options on January 6, 2006.

Employee Stock Purchase Plan

Prior to 2005, we maintained an Employee Stock Purchase Plan for all employees meeting certain eligibility criteria. Under the Plan, eligible employees could purchase through the initial twelve-month offering and through

a series of semiannual offerings, each October and April, commencing October 1, 1999, shares of our common stock, subject to certain limitations. The purchase price of each share was 85% of the lesser of its fair market value on the first business day or the last business day of the offering period. The aggregate number of whole shares of common stock allowed to be purchased under the option could not exceed 10% of the employee's base compensation. There were 250,000 shares made available for purchase under the plan. During 2004, 2003 and 2002, we issued 8,285, 13,001 and 12,949 shares, respectively, under this plan at amounts that approximated fair value. We terminated the plan during the first part of 2005.

Warrants to Purchase Common Stock

In December 2001, warrants to purchase 1,000,000 shares of common stock at $2.25 per share were exercised; 800,000 shares by the Green Diamond Oil Corp. and 200,000 shares by two unrelated subordinated debt lenders. Gross proceeds of $2,250,000 were received from the exercise of the warrants and were used to pay down the bank credit facility.

On December 31, 2001, we issued 706,668 shares of common stock at a price of $3.00 per share, and issued detachable stock warrants to purchase 353,334 shares of common stock at an initial exercise price of $3.60 per share to a group of accredited investors (the "Investors"). Gross proceeds of $2,120,000 were received from the issuance of these shares and were used to pay down the bank credit facility.

The right to purchase shares under the warrants vest immediately upon the issuance of the warrants, and the warrants contain various features to protect the Investors in the event of a merger or consolidation and from dilution in the event of a stock issuance at prices below the exercise price.

We prepared and filed with the SEC a registration statement within 90 days of the issuance of such warrants and caused the registration statement to become effective within 150 days of the issuance. We valued these warrants at $36,000 as of December 31, 2004. At December 31, 2005 the fair value of the warrants increased to $842,000 and $806,000 was recorded as other expense in the 2005 consolidated financial statements.

In connection with this transaction, we were required to issue additional shares based on an earnings formula computed from fiscal year 2002 results (as defined in the Investors' Subscription Agreement) to the Investors, at no additional cost to the Investors. Based on the results of the earnings formula, approximately 382,000 additional shares were issued to the Investors in 2003.

In connection with the issuance of the common shares and warrants to the investors, we estimated $440,000 of issuance costs and issued warrants to purchase 14,000 shares of common stock at an initial exercise price of $3.60. The fair value of the warrants, valued by our management at $32,000 has been included as issuance costs and recorded as a liability in other liabilities in the accompanying consolidated financial statements. The total issuance costs including the fair value of the warrants to purchase 14,000 shares of common stock were allocated to common stock, detachable stock warrants and contingent stock warrants based on their respective fair market values.

Former K&B Shareholders

In December 1999, as part of their employment contracts, warrants were granted to three of the former owners of K&B to purchase a total of 1,000,000 shares of our common stock at an exercise price of $2.9375 per share which was the fair market value on the date granted. These warrants become exercisable at the rate of 25% per year over the four years following December 1999. The warrants have a term of ten years.

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

Related Party and Other

In December 1999, warrants were issued to the subordinated lenders (see Note 10) to purchase up to 1,000,000 shares (900,000 of which are related party at December 31, 2003) of our common stock for $2.25 per share which was the fair market value on the date granted. As noted above, these warrants were exercised in 2001. In connection with such warrants, the subordinated lenders were granted certain registration rights with respect to their warrants and shares of our common stock into which the warrants are convertible. Our management valued the detachable stock warrants at $1.8 million and discounted the subordinated debt obligations by such amount (see Note 10) and recorded additional capital in excess of par value at December 31, 1999.

Chief Executive Officer

In January 1999, warrants were issued to the Chief Executive Officer to purchase 500,000 shares of the Company's common stock at an exercise price of $3.00 per share. Prior to 1999, warrants were issued to the Chief Executive Officer to purchase 1,250,000 shares, at exercise prices ranging from $1.625 to $2.75 per share. In August 2000, warrants were issued to the Chief Executive Officer to purchase 500,000 shares at an exercise price of $2.06 per share. The warrants expire 10 years from the date of issuance.

In December 2001, the Green Diamond Oil Corp. exercised warrants to purchase 800,000 shares at a price of $2.25 per share as previously disclosed.

Treasury Stock

In 2002, we purchased 37,300 shares of our common stock as treasury shares at a total cost of $118,000. During the fourth quarter of 2004 we retired 626,000 shares of common stock previously held as treasury shares.

12. Pension and Employee Benefit Plans

We sponsor a non-contributory defined benefit pension plan for certain union employees. The plan is funded in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

We also sponsor a post-retirement health care plan for office employees retiring before January 1, 1990. The plan allows retirees who have attained the age of 65 to elect the type of coverage desired.

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

The following tables set forth the plans' changes in benefit obligations, plan assets and funded status on the measurement dates, December 31, 2005 and 2004, and amounts recognized in our consolidated balance sheets as of those dates.

	Pension Benefits		Other Benefits	
$ in thousands	2005	2004	2005	2004
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 4,914	$ 4,825	$ 500	$ 531
Service cost	131	119	—	—
Interest cost	277	283	26	29
Actuarial (gain)/loss	(48)	(117)	8	18
Benefits paid	(210)	(196)	(72)	(78)
Projected benefit obligation at end of year	5,064	4,914	462	500
Change in plan assets:				
Fair value of plan assets at beginning of year	3,304	2,679	—	—
Actual return on plan assets	157	241	—	—
Employer contribution	398	580	73	78
Benefits paid	(210)	(196)	(73)	(78)
Fair value of plan assets at end of year	3,649	3,304	—	—
Funded status	(1,415)	(1,610)	(462)	(500)
Unrecognized prior service cost	52	60	—	—
Unrecognized net actuarial loss/(gain)	1,613	1,602	30	22
Net prepaid benefit cost/(accrued benefit liability)	$ 250	$ 52	$ (432)	$ (478)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid benefit cost	$ 250	$ 51	$ —	$ —
Accrued benefit liability	(1,371)	(1,323)	(432)	(478)
Intangible asset included in deferred charges and other assets	52	60	—	—
Accumulated other comprehensive income, net	1,319	1,264	—	—
Net amount recognized	$ 250	$ 52	$ (432)	$ (478)
Weighted-average assumptions at December 31:				
Discount rate	5.75%	5.75%	5.75%	5.75%
Expected return on plan assets	8.50%	8.50%	N/A	N/A

The accumulated benefit obligation for our defined benefit plans was $4.8 million and $4.6 million at December 31, 2005 and 2004, respectively. Information with respect to our plans which have accumulated benefit obligations in excess of plan assets at December 31, 2005 and 2004 is as follows:

	2005	2004
Projected benefit obligation	$ 5,064	$ 4,914
Accumulated benefit obligation	4,770	4,576
Fair value of plan assets	3,649	3,304

Based on current assumptions, estimated contributions of $483,000 may be required in 2006 for the pension plan and $69,000 for the retiree healthcare plan.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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In accordance with SFAS 87, "Employers' Accounting for Pensions", additional liabilities to recognize the required minimum liability were as follows:

	2005	2004
Minimum liability included in other comprehensive income:		
Increase (decrease) in minimum liability in other comprehensive income	$ 55	$ (226)

Benefits under the plans are not based on wages and, therefore, future wage adjustments have no effect on the projected benefit obligations.

The details of net periodic benefit cost for pension benefits included in the accompanying consolidated statements of operations for the years ended December 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Service cost	$ 131	$ 119	$ 100
Interest cost	277	284	279
Expected return on plan assets	(303)	(253)	(211)
Net amortization and deferral	94	115	114
Net periodic benefit cost	$ 199	$ 265	$ 282

The net periodic benefit cost (representing interest cost only) for the post-retirement plan included in the accompanying consolidated statements of operations was $26,000, $29,000 and $33,000 for the years ended December 31, 2005, 2004 and 2003 respectively.

Pension plan assets are invested in trusts comprised primarily of investments in various debt and equity funds. A fiduciary committee establishes the target asset mix and monitors asset performance. The expected rate of return on assets includes the determination of a real rate of return for equity and fixed income investment applied to the portfolio based on their relative weighting, increased by an underlying inflation rate.

Changes in health care costs have no effect on the plan as future increases are assumed by the retirees.

Our defined benefit pension plan asset allocation by asset category is as follows:

	Target Allocation 2006	Percentage of Plan Assets	
		2005	2004
Asset Category:			
Equity Securities	55%	62%	51%
Debt Securities and cash	45%	38%	49%
Total	100%	100%	100%

Estimated pension plan cash obligations are $251,000, $255,000, $260,000, $280,000 and $291,000 for 2006 – 2010, respectively and $1,799,000 over the next five years.

In connection with collective bargaining agreements, we participate with other companies in defined benefit pension plans. These plans cover substantially all of our Kirk & Blum contracted union employees not covered in the aforementioned plan. If we were to withdraw from participation in these multi-employer plans, we would be required to contribute our share of the plans' unfunded benefit obligation. We have no intention of withdrawing from any plan and, therefore, no liability has been provided in the accompanying consolidated financial statements.

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

Amounts charged to pension expense under the above plans including the multi-employer plans totaled $1.9 million, $1.9 million and $2.0 million for 2005, 2004 and 2003, respectively.

We sponsor a profit sharing and 401(k) savings retirement plan for K&B non-union employees. The plan covers substantially all employees who have one year of service, completed 1,000 hours of service and who have attained 21 years of age. The Plan allows us to make discretionary contributions and provides for employee salary deferrals of up to 15%. We provide matching contributions of 50% of the first 6% of employee contributions. We also have made matching contributions and discretionary contributions of $52,000, $45,000 and $51,000 during 2005, 2004 and 2003, respectively.

We also sponsor a 401(k) Savings and Retirement Plan which covers substantially all of CFI's employees. Under the terms of the Plan, employees can contribute between 1% and 22% of their annual compensation to the Plan. We match 50% of the first 6%. Plan expense for the years ended December 31, 2005, 2004 and 2003 was $27,000, $27,000 and $33,000 respectively.

In January 2006, these two plans will be merged into one plan. Under the terms of the combined plan, employees may contribute up to 15% of their pay and we will match 50% of the first 6% of employee contributions.

13. Commitments and Contingencies

Rent

We lease certain facilities on a year-to-year basis. We also have future annual minimum rental commitments under noncancellable operating leases as follows:

December 31,	Commitment
	$ in thousands
2006	$ 561
2007	364
2008	332
2009	287
2010	243
	$ 1,787

Total rent expense under all operating leases for 2005, 2004 and 2003 was $613, $671 and $651, respectively.

Employment Agreements

In December 1999, we entered into five-year employment agreements with three of the former owners of K&B. In 2001, these agreements were amended by extending the term one additional year. In December 2005 these agreements expired and it is anticipated that new agreements will be entered into with two of the three former owners in April 2006.

It is anticipated that the new agreements will provide for annual salaries and a bonus, for each of the next three years, based on an incentive compensation plan tied to financial performance and attainment of goals. No amounts have been paid in connection with these employment agreements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the Years Ended December 31, 2005, 2004 and 2003

14. Income Taxes

Income tax provision (benefit) consisted of the following for the years ended December 31:

$ in thousands	2005	2004	2003
Current:			
Federal	$—	$ 66	$ 16
State	215	239	(73)
	215	305	(57)
Deferred:			
Federal	328	(413)	(306)
State	104	(140)	(4)
	432	(553)	(310)
	$647	$(248)	$(367)

The income tax provision (benefit) differs from the statutory rate due to the following:

	2005	2004	2003
Tax expense (benefit) at statutory rate	$ 74	$(400)	$(352)
Increase (decrease) in tax resulting from:			
State income tax, net of federal benefit	24	65	(51)
Permanent differences, principally warrants and interest	415	95	34
Other	134	(8)	2
	$647	$(248)	$(367)

Deferred income taxes reflect the future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The net deferred tax liability consisted of the following at December 31:

	2005	2004
Current deferred tax assets (liabilities) attributable to:		
Accrued expenses	$ 500	$ 546
Deferred state taxes	215	173
Reserves on assets	141	124
Inventory	(402)	(647)
Current deferred tax asset (included in prepaid expenses and other current assets in 2005 and in accounts payable and accrued expenses in 2004 in the consolidated balance sheets)	454	196
Noncurrent deferred tax assets (liabilities) attributable to:		
Depreciation	(2,859)	(3,086)
Goodwill and intangibles	(1,378)	(1,349)
Other liabilities	14	46
Non-compete agreement	221	246
Minimum pension liability	528	506
Federal and state net operating loss carryforwards	264	1,076

AMT credit carryforward	67	67
Other	—	32
Net noncurrent deferred income tax liability	(3,143)	(2,462)
Net deferred tax liability	$(2,689)	$(2,266)

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For the Years Ended December 31, 2005, 2004 and 2003

Gross deferred tax assets were $2.0 and $2.8 million at December 31, 2005 and 2004, respectively. Gross deferred tax liabilities were $4.7 and $5.1 million at December 31, 2005 and 2004, respectively.

We have Federal net operating loss carryforwards of approximately $575,000 at December 31, 2005 to be utilized in future years, which begin to expire in 2021. Additionally, we have state net operating loss carryforwards of $827,000 at December 31, 2005.

We file a consolidated Federal income tax return.

15. Related Party Transactions

During 2005, we reimbursed Green Diamond Oil Corp. $5,000 per month for use of the space and other office expenses of our Toronto office. In 2005, 2004 and 2003, reimbursements were $60,000, $60,000 and $60,000 respectively. During 2005, 2004 and 2003, we paid fees of $340,000, $340,000 and $250,000 respectively, to Green Diamond for management consulting services. These services were provided by Phillip DeZwirek, the Chief Executive Officer and Chairman of our Board, through Green Diamond.

16. Backlog of Uncompleted Contracts from Continuing Operations

Our backlog of uncompleted contracts from continuing operations was $28.9 million and $20.7 million at December 31, 2005 and 2004, respectively.

17. Quarterly Financial Data (unaudited)

The following quarterly financial data are unaudited, but in the opinion of management include all necessary adjustments for a fair presentation of the interim results, which are subject to significant seasonal variations.

$ in thousands except per share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year ended December 31, 2005					
Net Sales	$15,055	$20,015	$23,442	$23,009	$81,521
Income from operations	(960)	1,192	1,257	2,036	3,525
Net income (loss)	(632)	235	355	(393)	(435)
Basic and diluted earnings (loss) per share	(0.06)	0.02	0.04	(0.04)	(0.04)
Year ended December 31, 2004					
Net Sales	$14,074	$15,071	$18,566	$21,655	$69,366
Income from operations(1)	(169)	93	736	525	1,185
Net income (loss)(1, 2)	(421)	(282)	285	(510)	(928)
Basic and diluted earnings (loss) per share	(0.04)	(0.03)	0.03	(0.05)	(0.09)

(1) Includes $677,000 in additional cost of sales during the fourth quarter for year end physical inventory adjustments totaling $486,000 and additional expense associated with workers compensation and unemployment totaling $191,000.

(2) Includes other income of $162,000 during the fourth quarter related to a dividend from Factory Power which was an investment accounted under the cost method of accounting.

NEITHER THIS NOTE NOR ANY SECURITIES WHICH MAY BE ISSUED UPON THE EXERCISE OF THE WARRANTS HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR OTHERWISE QUALIFIED UNDER ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY SUCH SECURITIES MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND REGISTRATION OR OTHER QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION OR OTHER QUALIFICATION IS NOT REQUIRED.

Notwithstanding anything herein to the contrary, (i) the obligations evidenced by this Second Amended and Restated Replacement Promissory Note are subordinated to the prior payment in full of the Senior Obligations (as defined in the Subordination Agreement hereinafter referred to) pursuant to, and to the extent provided in the Subordination Agreement, dated as of February 2, 2006 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein, the "Senior Lender") and (ii) the rights of the holder of this Note hereunder are subject to the limitations and provisions of the Subordination Agreement. In the event of any conflict between the terms of the Subordination Agreement and the terms of this Second Amended and Restated Replacement Promissory Note, the terms of the Subordination Agreement shall govern.

CECO Environmental Corp.

SECOND AMENDED AND RESTATED REPLACEMENT

PROMISSORY NOTE

$500,000 February 2, 2006

WHEREAS, Harvey Sandler has prior to this date advanced $500,000 (the "Advance") to CECO Environmental Corp.

WHEREAS, the terms of the Advance are set forth in an Amended and Restated Replacement Promissory Note dated May 1, 2001 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Second Amended and Restated Replacement Promissory Note.

WHEREAS, Harvey Sandler has agreed to amend and restate the Prior Note and replace the Prior Note with this Note to extend the maturity date under the Prior Note and subordinate the amounts due thereunder to a new credit facility upon the terms set forth herein.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a Delaware corporation, hereby promises to pay to the order of Harvey Sandler or registered assigns ("Holder"), the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000.00) on the Maturity Date, as defined in Section 1 below. This Note is part of a series of Notes of like tenor and effect to this Note in the original aggregate principal amount of $5,000,000 issued in connection with a mezzanine financing by the Company (the "1999 Subordinated Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) April 1, 2007; (ii) six (6) months after repayment of the Superior Debt (as defined in Section 8 below); or (iii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of twelve percent (12%) per annum from the date of the original Advance. Accrued Interest shall be due and payable on June 30 and December 31 of each year. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement. In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the principal executive office of the Company, or such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 13.5, then to interest and the remainder to principal.

4. Registration, Transfer and Exchange of Notes The Company will keep at its principal office a register in which it will provide for the registration of and transfer of this Note, at its own expense (excluding transfer taxes). If any Note is surrendered at said office or at the place of payment named in the Note for registration of transfer or exchange (accompanied in the case of registration of transfer or exchange by a written instrument of transfer in form satisfactory to the Company duly executed by or on behalf of the holder), the Company, at its expense, will deliver in exchange one or more new Notes in denominations of $10,000 or larger multiples of $1,000, as requested by the holder for the aggregate unpaid principal amount. Any Note or Notes issued in a

transfer or exchange shall carry the same rights to increase Notes surrendered. The Holder agrees that prior to making any sale, transfer, pledge, assignment, hypothecation, or other disposition (each, a "Transfer") of the Note, the Holder shall give written notice to the Company describing the manner in which any such proposed Transfer is to be made and providing such additional information and documentation regarding the Transfer as the Company reasonably requests. If the Company so requests, the Holder shall at his expense provide the Company with an opinion of counsel (which counsel must be reasonably satisfactory to the Company, to the holder, in form and substance satisfactory to the Company) that the proposed Transfer complies with applicable federal and state securities laws. The Company shall have no obligation to Transfer any Notes unless the holder thereof has complied with the foregoing provisions, and any such attempted Transfer shall be null and void.

5. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, such Note and for all other purposes.

6. Prepayment.

6.1 Optional Prepayment. The Company, at its option and without any premium, may prepay in whole or in part the principal amount of this Note at 100% of the face value of the Note at any time; provided, however, that if the Company intends to prepay any one or more of the 1999 Subordinated Notes in part, it shall prepay the same percentage of each outstanding 1999 Subordinated Note. The Company shall, at the time of any such prepayment, pay to the holder of this Note all interest accrued and unpaid to the Prepayment Date (defined below). Notwithstanding the foregoing, once a notice of the Closing of a Sale Transaction pursuant to Section 13.4 has been sent to the Holder, the Company may not prepay this Note prior to the Closing of a Sale Transaction, or until the Sale Transaction has been formally abandoned.

6.2 Notice of Prepayment. At least five (5) but not more than fifteen (15) days prior to the date fixed for any prepayment, written notice shall be given to the holders of the 1999 Subordinated Notes of the election of the Company to prepay all or a specified portion of the principal amount of the Note (the "Prepayment Notice.") The Prepayment Notice shall specify the date upon ("Prepayment Date") and the place at which, payment may be obtained and shall call upon the Holder to surrender this Note to the Company in the manner and at the place designated. On the Prepayment Date, the Holder shall surrender this Note to the Company in the manner and at the place designated in the Prepayment Notice, and thereupon prepayment shall be made to Holder and this Note shall be cancelled. In the event that less than all of the principal amount of this Note is prepaid, upon surrender of this Note to the Company, the Company shall execute and deliver to Holder a new Note or Notes in principal amount equal to the unpaid principal amount of this Note.

6.3 Cessation of Rights. From and after the Prepayment Date, unless there has been a default under the Prepayment Notice, all interest on the redeemed principal amount shall cease to accrue and all rights of Holder as a Holder of this Note shall cease with respect

to the principal amount prepaid and, with respect to such amount, this Note thereafter shall not be deemed to be outstanding for any purpose whatsoever. By acceptance of this Note, Holder agrees to execute and deliver such documents as may be reasonably requested from time to time by the Company in order to implement the foregoing provisions of this Section.

7. Warrant Coverage. Intentionally Omitted.

8. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December 29, 2005 ("Superior Debt") among the Company, CECO Group Inc., CECO Filters, Inc., New Bush Co., Inc., The Kirk & Blum Manufacturing Company, kbd/Technic, Inc., CECOAire, Inc., CECO Abatement Systems, Inc. and Fifth Third Bank, upon the terms and conditions contained in the Subordination Agreement, dated as of February 2, 2006 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein).

9. Repayment of Notes. In the event the Company completes an equity financing or offering or a series of equity financing or offerings for a total consideration in excess of $10,000,000, then twenty-five percent (25%) of all such consideration in excess of $10,000,000 shall be used immediately, upon receipt by the Company, to pre-pay the 1999 Subordinated Notes, provided such prepayment shall be made proportionately among the 1999 Subordinated Notes until the 1999 Subordinated Notes are paid in full.

10. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holders of a majority of the aggregate principal amount outstanding of the 1999 Subordinated Notes ("Majority Holders"):

10.1 Obtain or incur any indebtedness or other monetary obligations that are senior to or on parity with the Notes, other than the Superior Debt.

10.2 Allow, suffer or cause to exist any lien, claim, security interest or encumbrance on the Company's property or assets, other than with respect to the Superior Debt and purchase money indebtedness incurred in the ordinary course of business.

10.3 Enter into any arrangement or agreement involving the merger or consolidation of the Company.

10.4 Use the proceeds from the sale of the 1999 Subordinated Notes other than in the ordinary course of its business for general corporate purposes including lending monies to any of its subsidiaries. The Company also covenants and agrees that it shall operate its business in the ordinary course.

11. Events of Default.

11.1 Occurrences of Events of Default. Each of the following events shall constitute an "Event of Default" for purposes of this Note:

(a) if the Company fails to pay any amount payable, under this Note when due;

(b) if the Company breaches any of its representations, warranties or covenants set forth in this Note or the Warrant Agreement;

(c) the commencement of an involuntary case against the Company or its subsidiary or any of its subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee or similar official of the Company or for any substantial part of the Company or one of its subsidiary's property, or ordering the winding-up or liquidation of the Company or one of its subsidiary's affairs;

(d) if the Company or any of its subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or similar official of the Company or its subsidiary or for any substantial part of the Company or one of its subsidiary's property, or shall make any general assignment for the benefit of creditors, or shall take any corporate action in furtherance of any of the foregoing; or

(e) if the Company's business shall fail, as determined in good faith by the Majority Holders and evidenced by the Company's inability to pay its ongoing debts as such debts become due.

11.2 Acceleration Upon Event of Default. If any Event of Default shall have occurred and be continuing, for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise), the unpaid principal amount of, and the accrued interest on, the Notes shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company.

12. Investment Representations of the Holder. With respect to the purchase of this Note, the Common Stock issuable upon the exercise of the Warrants (collectively, the "Securities"), the Holder hereby represents and warrants to the Company as follows:

12.1 Experience. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests.

12.2 Investment. The Holder is acquiring the Securities for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been, and will not be, registered under the Securities Act of 1933, as amended ("Securities Act"), by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Holder's representations as expressed herein. The holder is an "accredited investor" within the meaning of Regulation D, Section 501(a), promulgated by the Securities and Exchange Commission.

12.3 Rule 144. The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Securities Act, or unless an exemption from such registration is available. The Holder understands that at this time the Company is not under any obligation to register any of the Securities. The Holder is aware of the provisions of Rule 144 promulgated under the Securities Act that permit limited resale of securities purchased in a private placement subject to satisfaction of certain conditions.

12.4 No Public Market. The Holder understands that no public market now exists for any of the Securities issued by the Company and that the Company has made no assurances that a public market will ever exist for the Securities.

12.5 Access to Data. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with the Company's management and has also had an opportunity to ask questions of the Company's officers, which questions were answered to its satisfaction.

13. Miscellaneous.

13.1 Invalidity of Any Provision. If any provision or part of any provision of this Note shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Note and this Note shall be construed as if such invalid, illegal or unenforceable provisions or part hereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability.

13.2 Governing Law. The Note shall be governed in all respects by the laws of the State of Delaware, excluding its conflict of laws.

13.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) one (1) business day after transmission by facsimile transmission with a written confirmation copy sent by first class mail, or (iii) five (5) days after mailing if mailed by first class mail, to the following addresses:

If to the Company: CECO Environmental Corp.
3120 Forrer Street
Cincinnati, Ohio 45209
Attention: Dennis W. Blazer

And if to the Holder, to the address or facsimile number of Holder as set forth on the Company's records, or such other address as the Holder has provided to the Company by notice duly given, with a copy to Lawrence N. Rosen, Esq., Lawrence N. Rosen, P.A., 2925 Aventura Boulevard, Suite 308, Aventura, Florida 33180.

13.4 Notice of a Sale Transaction. The Company shall give all Holders of Notes notice of the Closing of a Sale Transaction at least thirty (30) days prior to such Closing.

13.5 Collection. If the indebtedness represented by the Note or any part thereof is collected at law or in equity or in bankruptcy, receivership or other judicial proceedings or if the Note is placed in the hands of attorneys for collection after the occurrence of an Event of Default, the Company agrees to pay, in addition to the outstanding principal and accrued interest payable hereon, reasonable attorneys' fees and costs incurred by the Holder, or on behalf of the Holder by a representative of the Holder.

13.6 Successors and Assigns. The rights and obligations of the Company and the Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

13.7 Waivers. The Company and any endorsers, sureties, guarantors, and all others who are, or may become liable for the payment hereof severally: (a) waive presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, (b) consent to all extensions of time, renewals, postponements of time of payment of this Note or other modifications hereof from time to time prior to or after the maturity date hereof, whether by acceleration or in due course, without notice, consent or consideration to any of the foregoing, (c) agree to any substitution, exchange, addition, or release of any of the security for the indebtedness evidenced by this Note or the addition or release of any party or person primarily or secondarily liable hereon, (d) agree that Holder shall not be required first to institute any suit, or to exhaust its remedies against the Company or any other person or party to become liable hereunder or against the security in order to enforce the payment of this Note and (e) agree that, notwithstanding the occurrence of any of the foregoing (except by the express written release by Holder of any such person), the Company shall be and remain, directly and primarily liable for all sums due under this Note.

13.8 Time. Time is of the essence in this Note.

13.9 Captions. The captions of sections of this Note are for convenient reference only, and shall not affect the construction or interpretation of any of the terms and provisions set forth in this Note.

13.10 Number and Gender. Whenever used in this Note, the singular number shall include the plural, and the masculine shall include the feminine and the neuter, and *vice versa*.

13.11 Remedies. All remedies of the Holder shall be cumulative and concurrent and may be pursued singly, successively, or together at the sole discretion of the Holder and may be exercised as often as occasion therefor shall arise. No act of omission or commission of the Holder, including specifically any failure to exercise any right, remedy or recourse shall be effective unless it is set forth in a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing as a bar to or as a waiver or release of any subsequent right, remedy, or recourse as to any subsequent event.

13.12 No Waiver by Holder. The acceptance by Holder of any payment under this Note which is less than the amount then due or the acceptance of any amount after the due date thereof, shall not be deemed a waiver of any right or remedy available to Holder nor nullify the prior exercise of any such right or remedy by Holder. None of the terms or provisions of this Promissory Note may be waived, altered, modified or amended except by a written document executed by Holder and then only to the extent specifically recited therein. No course of dealing or conduct shall be effective waive, alter, modify or amend any of the terms or provisions hereof. The failure or delay to exercise any right or remedy available to Holder shall not constitute a waiver of the right of the Holder to exercise the same or any other right or remedy available to Holder at that time or at any subsequent time.

13.13 Submission to Jurisdiction. BORROWER, AND ANY ENDORSERS, SURETIES, GUARANTORS AND ALL OTHERS WHO ARE, OR WHO MAY BECOME, LIABLE FOR THE PAYMENT HEREOF SEVERALLY, IRREVOCABLY AND UNCONDITIONALLY (A) AGREE THAT ANY SUIT, ACTION, OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED PURSUANT TO, OR IN CONNECTION WITH THIS NOTE SHALL BE BROUGHT AND MAINTAINED IN THE COURTS IN AND FOR NEW YORK COUNTY, NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; (B) CONSENT TO THE JURISDICTION OF EACH SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING; AND (C) WAIVE ANY OBJECTION WHICH IT OR THEY MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION, OR PROCEEDING IN ANY OF SUCH COURTS.

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR

WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

3.15 This Note is issued, in part, in replacement of the Prior Note. The indebtedness evidenced by the Prior Note has not been paid; instead this Note is issued in substitution for the Prior Note and the unpaid indebtedness evidenced thereby continues to be outstanding and is intended to be evidenced hereby.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek
Phillip DeZwirek, Chief Executive Officer

NEITHER THIS NOTE NOR ANY SECURITIES WHICH MAY BE ISSUED UPON THE EXERCISE OF THE WARRANTS HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR OTHERWISE QUALIFIED UNDER ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY SUCH SECURITIES MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND REGISTRATION OR OTHER QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION OR OTHER QUALIFICATION IS NOT REQUIRED.

Notwithstanding anything herein to the contrary, (i) the obligations evidenced by this Third Amended and Restated Replacement Promissory Note are subordinated to the prior payment in full of the Senior Obligations (as defined in the Subordination Agreement hereinafter referred to) pursuant to, and to the extent provided in the Subordination Agreement, dated as of February 6, 2006 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein, the "Senior Lender") and (ii) the rights of the holder of this Note hereunder are subject to the limitations and provisions of the Subordination Agreement. In the event of any conflict between the terms of the Subordination Agreement and the terms of this Third Amended and Restated Replacement Promissory Note, the terms of the Subordination Agreement shall govern.

CECO Environmental Corp.

THIRD AMENDED AND RESTATED REPLACEMENT

PROMISSORY NOTE

$500,000 February 6, 2006

WHEREAS, ICS Trustee Services Ltd. has prior to this date advanced $500,000 (the "Advance") to CECO Environmental Corp.

WHEREAS, the terms of the Advance are set forth in a Second Amended and Restated Replacement Promissory Note dated May 28, 2002 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Third Amended and Restated Replacement Promissory Note.

WHEREAS, ICS Trustee Services Ltd. has agreed to amend and restate the Prior Note and replace the Prior Note with this Note to extend the maturity date under the Prior Note and subordinate the amounts due thereunder to a new credit facility upon the terms set forth herein.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a Delaware corporation, hereby promises to pay to the order of ICS Trustee Services Ltd. or registered assigns ("Holder"), the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000.00) on the Maturity Date, as defined in Section 1 below. This Note is part of a series of Notes of like tenor and effect to this Note in the original aggregate principal amount of $5,000,000 issued in connection with a mezzanine financing by the Company (the "1999 Subordinated Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) April 1, 2007; (ii) six (6) months after repayment of the Superior Debt (as defined in Section 8 below); or (iii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of twelve percent (12%) per annum from the date of the original Advance. Accrued Interest shall be due and payable on June 30 and December 31 of each year. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement. In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the principal executive office of the Company, or such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 13.5, then to interest and the remainder to principal.

4. Registration, Transfer and Exchange of Notes. The Company will keep at its principal office a register in which it will provide for the registration of and transfer of this Note, at its own expense (excluding transfer taxes). If any Note is surrendered at said office or at the place of payment named in the Note for registration of transfer or exchange (accompanied in the case of registration of transfer or exchange by a written instrument of transfer in form satisfactory to the

Company duly executed by or on behalf of the holder), the Company, at its expense, will deliver in exchange one or more new Notes in denominations of $10,000 or larger multiples of $1,000, as requested by the holder for the aggregate unpaid principal amount. Any Note or Notes issued in a transfer or exchange shall carry the same rights to increase Notes surrendered. The Holder agrees that prior to making any sale, transfer, pledge, assignment, hypothecation, or other disposition (each, a "Transfer") of the Note, the Holder shall give written notice to the Company describing the manner in which any such proposed Transfer is to be made and providing such additional information and documentation regarding the Transfer as the Company reasonably requests. If the Company so requests, the Holder shall at his expense provide the Company with an opinion of counsel (which counsel must be reasonably satisfactory to the Company, to the holder, in form and substance satisfactory to the Company) that the proposed Transfer complies with applicable federal and state securities laws. The Company shall have no obligation to Transfer any Notes unless the holder thereof has complied with the foregoing provisions, and any such attempted Transfer shall be null and void.

5. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, such Note and for all other purposes.

6. Prepayment.

6.1 Optional Prepayment. The Company, at its option and without any premium, may prepay in whole or in part the principal amount of this Note at 100% of the face value of the Note at any time; provided, however, that if the Company intends to prepay any one or more of the 1999 Subordinated Notes in part, it shall prepay the same percentage of each outstanding 1999 Subordinated Note. The Company shall, at the time of any such prepayment, pay to the holder of this Note all interest accrued and unpaid to the Prepayment Date (defined below). Notwithstanding the foregoing, once a notice of the Closing of a Sale Transaction pursuant to Section 13.4 has been sent to the Holder, the Company may not prepay this Note prior to the Closing of a Sale Transaction, or until the Sale Transaction has been formally abandoned.

6.2 Notice of Prepayment. At least five (5) but not more than fifteen (15) days prior to the date fixed for any prepayment, written notice shall be given to the holder of the Notes of the election of the Company to prepay all or a specified portion of the principal amount of the Note (the "Prepayment Notice.") The Prepayment Notice shall specify the date upon ("Prepayment Date") and the place at which, payment may be obtained and shall call upon the Holder to surrender the Note to the Company in the manner and at the place designated. On the Prepayment Date, the Holder shall surrender this Note to the Company in the manner and at the place designated in the Prepayment Notice, and thereupon prepayment shall be made to Holder and this Note shall be cancelled. In the event that less than all of the principal amount of this Note is prepaid, upon surrender of this Note to the Company, the Company shall execute and deliver to Holder a new Note or Notes in principal amount equal to the unpaid principal amount of this Note.

6.3 Cessation of Rights. From and after the Prepayment Date, unless there has been a default under the Prepayment Notice, all interest on the redeemed principal amount shall cease to accrue and all rights of Holder as a Holder of this Note shall cease with respect to the principal amount prepaid and, with respect to such amount, this Note thereafter shall not be deemed to be outstanding for any purpose whatsoever. By acceptance of this Note, Holder agrees to execute and deliver such documents as may be reasonably requested from time to time by the Company in order to implement the foregoing provisions of this Section.

7. Warrant Coverage. Intentionally Omitted.

8. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December 29, 2005 ("Superior Debt") among the Company, CECO Group Inc., CECO Filters, Inc., New Bush Co., Inc., The Kirk & Blum Manufacturing Company, kbd/Technic, Inc., CECOAire, Inc., CECO Abatement Systems, Inc. and Fifth Third Bank, upon the terms and conditions contained in the Subordination Agreement, dated as of February 6, 2006 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein).

9. Repayment of Notes. In the event the Company completes an equity financing or offering or a series of equity financing or offerings for a total consideration in excess of $10,000,000, then twenty-five percent (25%) of all such consideration in excess of $10,000,000 shall be used immediately, upon receipt by the Company, to pre-pay the 1999 Subordinated Notes, provided such prepayment shall be made proportionately among the 1999 Subordinated Notes until the 1999 Subordinated Notes are paid in full.

10. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holders of a majority of the aggregate principal amount outstanding of the 1999 Subordinated Notes ("Majority Holders"):

10.1 Obtain or incur any indebtedness or other monetary obligations that are senior to or on parity with the Notes, other than the Superior Debt.

10.2 Allow, suffer or cause to exist any lien, claim, security interest or encumbrance on the Company's property or assets, other than with respect to the Superior Debt and purchase money indebtedness incurred in the ordinary course of business.

10.3 Enter into any arrangement or agreement involving the merger or consolidation of the Company.

10.4 Use the proceeds from the sale of the 1999 Subordinated Notes other than in the ordinary course of its business for general corporate purposes including lending monies to any of its subsidiaries. The Company also covenants and agrees that it shall operate its business in the ordinary course.

11. Events of Default.

11.1 Occurrences of Events of Default. Each of the following events shall constitute an "Event of Default" for purposes of this Note:

(a) if the Company fails to pay any amount payable, under this Note when due;

(b) if the Company breaches any of its representations, warranties or covenants set forth in this Note or the Warrant Agreement;

(c) the commencement of an involuntary case against the Company or its subsidiary or any of its subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee or similar official of the Company or for any substantial part of the Company or one of its subsidiary's property, or ordering the winding-up or liquidation of the Company or one of its subsidiary's affairs;

(d) if the Company or any of its subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or similar official of the Company or its subsidiary or for any substantial part of the Company or one of its subsidiary's property, or shall make any general assignment for the benefit of creditors, or shall take any corporate action in furtherance of any of the foregoing; or

(e) if the Company's business shall fail, as determined in good faith by the Majority Holders and evidenced by the Company's inability to pay its ongoing debts as such debts become due.

11.2 Acceleration Upon Event of Default. If any Event of Default shall have occurred and be continuing, for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise), the unpaid principal amount of, and the accrued interest on, the Notes shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company.

12. Investment Representations of the Holder. With respect to the purchase of this Note, the Common Stock issuable upon the exercise of the Warrants (collectively, the "Securities"), the Holder hereby represents and warrants to the Company as follows:

12.1 Experience. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests.

12.2 Investment. The Holder is acquiring the Securities for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Holder understands that the Securities have not been, and will not be, registered under the Securities Act of 1933, as amended ("Securities Act"), by reason of a specific exemption from the registration provisions of the Securities Act, the availability of which depends upon, among other things, the bona fide nature of the investment intent and the accuracy of the Holder's representations as expressed herein. The holder is an "accredited investor" within the meaning of Regulation D, Section 501(a), promulgated by the Securities and Exchange Commission.

12.3 Rule 144. The Holder acknowledges that the Securities must be held indefinitely unless subsequently registered under the Securities Act, or unless an exemption from such registration is available. The Holder understands that at this time the Company is not under any obligation to register any of the Securities. The Holder is aware of the provisions of Rule 144 promulgated under the Securities Act that permit limited resale of securities purchased in a private placement subject to satisfaction of certain conditions.

12.4 No Public Market. The Holder understands that no public market now exists for any of the Securities issued by the Company and that the Company has made no assurances that a public market will ever exist for the Securities.

12.5 Access to Data. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with the Company's management and has also had an opportunity to ask questions of the Company's officers, which questions were answered to its satisfaction.

13. Miscellaneous.

13.1 Invalidity of Any Provision. If any provision or part of any provision of this Note shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Note and this Note shall be construed as if such invalid, illegal or unenforceable provisions or part hereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability.

13.2 Governing Law. The Note shall be governed in all respects by the laws of the State of Delaware, excluding its conflict of laws.

13.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) one (1) business day after transmission by facsimile transmission with a written confirmation copy sent by first class mail, or (iii) five (5) days after mailing if mailed by first class mail, to the following addresses:

If to the Company: CECO Environmental Corp.
3120 Forrer Street
Cincinnati, Ohio 45209
Attention: Dennis W. Blazer

And if to the Holder, to the address or facsimile number of Holder as set forth on the Company's records, or such other address as the Holder has provided to the Company by notice duly given.

13.4 Notice of a Sale Transaction. The Company shall give all Holders of Notes notice of the Closing of a Sale Transaction at least thirty (30) days prior to such Closing.

13.5 Collection. If the indebtedness represented by the Note or any part thereof is collected at law or in equity or in bankruptcy, receivership or other judicial proceedings or if the Note is placed in the hands of attorneys for collection after the occurrence of an Event of Default, the Company agrees to pay, in addition to the outstanding principal and accrued interest payable hereon, reasonable attorneys' fees and costs incurred by the Holder, or on behalf of the Holder by a representative of the Holder.

13.6 Successors and Assigns. The rights and obligations of the Company and the Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

13.7 Waivers. The Company and any endorsers, sureties, guarantors, and all others who are, or may become liable for the payment hereof severally: (a) waive presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, (b) consent to all extensions of time, renewals, postponements of time of payment of this Note or other modifications hereof from time to time prior to or after the maturity date hereof, whether by acceleration or in due course, without notice, consent or consideration to any of the foregoing, (c) agree to any substitution, exchange, addition, or release of any of the security for the indebtedness evidenced by this Note or the addition or release of any party or person primarily or secondarily liable hereon, (d) agree that Holder shall not be required first to institute any suit, or to exhaust its remedies against the Company or any other person or party to become liable hereunder or against the security in order to enforce the payment of this Note and (e) agree that, notwithstanding the occurrence of any of the foregoing (except by the express written release by Holder of any such person), the Company shall be and remain, directly and primarily liable for all sums due under this Note.

13.8 Time. Time is of the essence in this Note.

13.9 Captions. The captions of sections of this Note are for convenient reference only, and shall not affect the construction or interpretation of any of the terms and provisions set forth in this Note.

13.10 Number and Gender. Whenever used in this Note, the singular number shall include the plural, and the masculine shall include the feminine and the neuter, and *vice versa*.

13.11 Remedies. All remedies of the Holder shall be cumulative and concurrent and may be pursued singly, successively, or together at the sole discretion of the Holder and may be exercised as often as occasion therefor shall arise. No act of omission or commission of the Holder, including specifically any failure to exercise any right, remedy or recourse shall be effective unless it is set forth in a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing as a bar to or as a waiver or release of any subsequent right, remedy, or recourse as to any subsequent event.

13.12 No Waiver by Holder. The acceptance by Holder of any payment under this Note which is less than the amount then due or the acceptance of any amount after the due date thereof, shall not be deemed a waiver of any right or remedy available to Holder nor nullify the prior exercise of any such right or remedy by Holder. None of the terms or provisions of this Promissory Note may be waived, altered, modified or amended except by a written document executed by Holder and then only to the extent specifically recited therein. No course of dealing or conduct shall be effective waive, alter, modify or amend any of the terms or provisions hereof. The failure or delay to exercise any right or remedy available to Holder shall not constitute a waiver of the right of the Holder to exercise the same or any other right or remedy available to Holder at that time or at any subsequent time.

13.13 Submission to Jurisdiction. BORROWER, AND ANY ENDORSERS, SURETIES, GUARANTORS AND ALL OTHERS WHO ARE, OR WHO MAY BECOME, LIABLE FOR THE PAYMENT HEREOF SEVERALLY, IRREVOCABLY AND UNCONDITIONALLY (A) AGREE THAT ANY SUIT, ACTION, OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED PURSUANT TO, OR IN CONNECTION WITH THIS NOTE SHALL BE BROUGHT AND MAINTAINED IN THE COURTS IN AND FOR HAMILTON COUNTY, OHIO, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO; (B) CONSENT TO THE JURISDICTION OF EACH SUCH COURT IN ANY SUCH SUIT, ACTION OR PROCEEDING; AND (C) WAIVE ANY OBJECTION WHICH IT OR THEY MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION, OR PROCEEDING IN ANY OF SUCH COURTS.

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR

WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

3.15 This Note is issued, in part, in replacement of the Prior Note. The indebtedness evidenced by the Prior Note has not been paid; instead this Note is issued in substitution for the Prior Note and the unpaid indebtedness evidenced thereby continues to be outstanding and is intended to be evidenced hereby.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek
Phillip DeZwirek, Chief Executive Officer

NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, (I) THE OBLIGATIONS EVIDENCED BY THIS FOURTH AMENDED AND RESTATED REPLACEMENT PROMISSORY NOTE ARE SUBORDINATED TO THE PRIOR PAYMENT IN FULL OF THE SENIOR OBLIGATIONS (AS DEFINED IN THE SUBORDINATION AGREEMENT HEREINAFTER REFERRED TO) PURSUANT TO, AND TO THE EXTENT PROVIDED IN THE SUBORDINATION AGREEMENT, DATED AS OF DECEMBER /29/, 2005 (AS AMENDED, RESTATED, SUPPLEMENTED OR MODIFIED FROM TIME TO TIME, THE "SUBORDINATION AGREEMENT") IN FAVOR OF FIFTH THIRD BANK (TOGETHER WITH ITS SUCCESSORS AND ASSIGNS, AND THE OTHER HOLDERS, IF ANY, OF THE SENIOR OBLIGATIONS IDENTIFIED THEREIN, THE "SENIOR LENDER") AND (II) THE RIGHTS OF THE HOLDER OF THIS NOTE HEREUNDER ARE SUBJECT TO THE LIMITATIONS AND PROVISIONS OF THE SUBORDINATION AGREEMENT. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THE SUBORDINATION AGREEMENT AND THE TERMS OF THIS FOURTH AMENDED AND RESTATED REPLACEMENT PROMISSORY NOTE, THE TERMS OF THE SUBORDINATION AGREEMENT SHALL GOVERN.

CECO Environmental Corp.

SECOND AMENDED AND RESTATED REPLACEMENT
PROMISSORY NOTE

$1,290,477 December /29/, 2005

WHEREAS, Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp., an Ontario corporation ("Green Diamond") has prior to this date advanced sums to CECO Environmental Corp. (the "Company") as evidenced by an Amended and Restated Replacement Promissory Note dated December 30, 2004 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Second Amended and Restated Replacement Promissory Note (the "Note").

WHEREAS, Green Diamond has agreed to amend and restate the Prior Note and replace the Prior Note with this Note to extend the maturity date under the Prior Note and subordinate the amounts due thereunder to a new credit facility upon the terms set forth herein.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a Delaware corporation, hereby promises to pay to the order of Green Diamond Oil Corp. or registered assigns ("Holder"), the principal sum of ONE MILLION TWO HUNDRED NINETY THOUSAND FOUR HUNDRED SEVENTY-SEVEN DOLLARS ($1,290,477.00) on the Maturity Date, as defined in Section 1 below. This Note is subordinate to certain bank financing of the Company further described herein and to a series of promissory notes in the original principal amount of $5,000,000 originally issued on December 2, 1999 and subsequently amended and restated (the "December 1999 Notes"). The principal amount of the December 1999 Notes has been increased in connection with an amendment and restatement.

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) April 1, 2007 or (ii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of six percent (6%) per annum from the date of the Prior Note, December 30, 2004. Accrued interest shall be due and payable on March 31 and September 30 of each year and on the Maturity Date. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement (as defined herein). In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the Company's office in Toronto, Ontario, or such other place as the Holder hereof shall designate to the Company in writing, in lawful money of the United States of America. So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 10.5, then to interest and the remainder to principal.

4. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, this Note and for all other purposes.

5. Prepayment.

5.1 Optional Prepayment. The Company, at its option and without any premium, may prepay in whole or in part the principal amount of this Note at any time.

The Company shall, at the time of any such prepayment, pay to the holder of this Note all interest accrued and unpaid to the Prepayment Date (defined below). Notwithstanding the foregoing, once a notice of the Closing of a Sale Transaction pursuant to Section 10.4 has been sent to the Holder, the Company may not prepay this Note prior to the Closing of a Sale Transaction, or until the Sale Transaction has been formally abandoned.

5.2 Notice of Prepayment. At least five (5) but not more than fifteen (15) days prior to the date fixed for any prepayment, written notice shall be given to the holder of this Note of the election of the Company to prepay all or a specified portion of the principal amount of the Note (the "Prepayment Notice."). The Prepayment Notice shall specify the date upon ("Prepayment Date") and the place at which, payment may be obtained and shall call upon the Holder to surrender this Note to the Company in the manner and at the place designated. On the Prepayment Date, the Holder shall surrender this Note to the Company in the manner and at the place designated in the Prepayment Notice, and thereupon prepayment shall be made to Holder and this Note shall be cancelled. In the event that less than all the principal amount of this Note is prepaid, upon surrender of this Note to the Company, the Company shall execute and deliver to Holder a new Note or Notes in principal amount equal to the unpaid principal amount of this Note.

5.3 Cessation of Rights. From and after the Prepayment Date, unless there has been a default under the Prepayment Notice, all interest on the redeemed principal amount shall cease to accrue and all rights of Holder as a Holder of this Note shall cease with respect to the principal amount prepaid and, with respect to such amount, this Note thereafter shall not be deemed to be outstanding for any purpose whatsoever. By acceptance of this Note, Holder agrees to execute and deliver such documents as may be reasonably requested from time to time by the Company in order to implement the foregoing provisions of this Section.

6. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December __, 2005 ("Superior Debt") among the Company, CECO Group Inc., CECO Filters, Inc., New Bush Co., Inc., The Kirk & Blum Manufacturing Company, kbd/Technic, Inc., CECOAire, Inc., CECO Abatement Systems, Inc. and Fifth Third Bank, upon the terms and conditions contained in the Subordination Agreement, dated as of December __, 2005 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein). This Note also is subordinate to the December 1999 Notes, and no payments of principal or interest shall be made under this Note, if an Event of Default (as defined in the December 1999 Notes) is existing under any of the December 1999 Notes.

7. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holder:

7.1 Obtain or incur any indebtedness or other monetary obligations that are senior to or on parity with this Note, other than the Superior Debt and the December 1999 Notes.

7.2 Allow, suffer or cause to exist any lien, claim, security interest or encumbrance on the Company's property or assets, other than with respect to the Superior Debt and purchase money indebtedness incurred in the ordinary course of business.

7.3 Enter into any arrangement or agreement involving the merger or consolidation of the Company.

7.4 Use the proceeds from this Note other than in the ordinary course of its business for general corporate purposes including lending monies to any of its subsidiaries. The Company also covenants and agrees that it shall operate its business in the ordinary course.

8. Events of Default.

8.1 Occurrences of Events of Default. Each of the following events shall constitute an "Event of Default" for purposes of this Note:

(a) if the Company fails to pay any amount payable, under this Note when due;

(b) if the Company breaches any of its representations, warranties or covenants set forth in this Note;

(c) the commencement of an involuntary case against the Company or its subsidiary or any of its subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee or similar official of the Company or for any substantial part of the Company or one of its subsidiary's property, or ordering the winding-up or liquidation of the Company or one of its subsidiary's affairs;

(d) if the Company or any of its subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or similar official of the Company or its subsidiary or for any substantial part of the Company or one of its subsidiary's property, or shall make any general assignment for the benefit of creditors, or shall take any corporate action in furtherance of any of the foregoing; or

(e) if the Company's business shall fail, as determined in good faith by the Holder and evidenced by the Company's inability to pay its ongoing debts as such debts become due.

8.2 Acceleration Upon Event of Default. If any Event of Default shall have occurred and be continuing, for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise), the unpaid principal amount of, and the accrued interest on, this Note shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company.

9. Investment Representations of the Holder. With respect to the purchase of this Note, the Holder hereby represents and warrants to the Company as follows:

9.1 Experience. The Holder has substantial experience in evaluating and investing in private transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests.

9.2 Status. The Holder is an "accredited investor" within the meaning of Regulation D, Section 501(a), promulgated by the Securities and Exchange Commission, and is acquiring this Note for investment for its own account, not as a nominee or agent, and not with a view to, or for resale or transfer.

9.3 Access to Data. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with the Company's management and has also had an opportunity to ask questions of the Company's officers, which questions were answered to its satisfaction.

10. Miscellaneous.

10.1 Invalidity of Any Provision. If any provision or part of any provision of this Note shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Note and this Note shall be construed as if such invalid, illegal or unenforceable provisions or part hereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability.

10.2 Governing Law. The Note shall be governed in all respects by the laws of the State of Delaware, excluding its conflict of laws.

10.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) one (1) business day after transmission by facsimile transmission with a written confirmation copy sent by first class mail, or (iii) five (5) days after mailing if mailed by first class mail, to the following addresses:

If to the Holder: Green Diamond Corp.
505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
Canada
Attention: Phillip DeZwirek

If to the Company: CECO Environmental Corp.
3120 Forrer Street
Cincinnati, Ohio 45209
Attention: Dennis W. Blazer

10.4 Notice of a Sale Transaction. The Company shall give the Holder of this Note notice of the Closing of a Sale Transaction at least thirty (30) days prior to such Closing.

10.5 Collection. If the indebtedness represented by this Note or any part thereof is collected at law or in equity or in bankruptcy, receivership or other judicial proceedings or if this Note is placed in the hands of attorneys for collection after the occurrence of an Event of Default, the Company agrees to pay, in addition to the outstanding principal and accrued interest payable hereon, reasonable attorneys' fees and costs incurred by the Holder, or on behalf of the Holder by a representative of the Holder.

10.6 Successors and Assigns. The rights and obligations of the Company and the Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

10.7 Waivers. The Company and any endorsers, sureties, guarantors, and all others who are, or may become liable for the payment hereof severally: (a) waive presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, (b) consent to all extensions of time, renewals, postponements of time of payment of this Note or other modifications hereof from time to time prior to or after the maturity date hereof, whether by acceleration or in due course, without notice, consent or consideration to any of the foregoing, (c) agree to any substitution, exchange, addition, or release of any of the security for the indebtedness evidenced by this Note or the addition or release of any party or person primarily or secondarily liable hereon, (d) agree that Holder shall not be required first to institute any suit, or to exhaust its remedies against the Company or any other person or party to become liable hereunder or against the security in order to enforce the payment of this Note and (e) agree that, notwithstanding the occurrence of any

of the foregoing (except by the express written release by Holder of any such person), the Company shall be and remain, directly and primarily liable for all sums due under this Note.

10.8 Time. Time is of the essence in this Note.

10.9 Captions. The captions of sections of this Note are for convenient reference only, and shall not affect the construction or interpretation of any of the terms and provisions set forth in this Note.

10.10 Number and Gender. Whenever used in this Note, the singular number shall include the plural, and the masculine shall include the feminine and the neuter, and *vice versa*.

10.11 Remedies. All remedies of the Holder shall be cumulative and concurrent and may be pursued singly, successively, or together at the sole discretion of the Holder and may be exercised as often as occasion therefor shall arise. No act of omission or commission of the Holder, including specifically any failure to exercise any right, remedy or recourse shall be effective unless it is set forth in a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing as a bar to or as a waiver or release of any subsequent right, remedy, or recourse as to any subsequent event.

10.12 No Waiver by Holder. The acceptance by Holder of any payment under this Note which is less than the amount then due or the acceptance of any amount after the due date thereof, shall not be deemed a waiver of any right or remedy available to Holder nor nullify the prior exercise of any such right or remedy by Holder. None of the terms or provisions of this Note may be waived, altered, modified or amended except by a written document executed by Holder and then only to the extent specifically recited therein. No course of dealing or conduct shall be effective waive, alter, modify or amend any of the terms or provisions hereof. The failure or delay to exercise any right or remedy available to Holder shall not constitute a waiver of the right of the Holder to exercise the same or any other right or remedy available to Holder at that time or at any subsequent time.

10.13 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

10.14. This Note is issued, in part, in replacement of the Prior Note. The indebtedness evidenced by the Prior Note has not been paid; instead this Note is issued in substitution for the Prior Note and the unpaid indebtedness evidenced thereby continues to be outstanding and is intended to be evidenced hereby.

[signature page follows]

CECO ENVIRONMENTAL CORP.

By: /s/ Dennis W. Blazer
Dennis W. Blazer

Title: Vice President-Finance and Administration and Chief Financial Officer

NEITHER THIS NOTE NOR ANY SECURITIES WHICH MAY BE ISSUED UPON THE EXERCISE OF THE WARRANTS HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR OTHERWISE QUALIFIED UNDER ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY SUCH SECURITIES MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND REGISTRATION OR OTHER QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION OR OTHER QUALIFICATION IS NOT REQUIRED.

Notwithstanding anything herein to the contrary, (i) the obligations evidenced by this Fourth Amended and Restated Replacement Promissory Note are subordinated to the prior payment in full of the Senior Obligations (as defined in the Subordination Agreement hereinafter referred to) pursuant to, and to the extent provided in the Subordination Agreement, dated as of December /29/, 2005 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein, the "Senior Lender") and (ii) the rights of the holder of this Note hereunder are subject to the limitations and provisions of the Subordination Agreement. In the event of any conflict between the terms of the Subordination Agreement and the terms of this Fourth Amended and Restated Replacement Promissory Note, the terms of the Subordination Agreement shall govern.

CECO Environmental Corp.

FOURTH AMENDED AND RESTATED REPLACEMENT
PROMISSORY NOTE

$5,441,315 December /29/, 2005

WHEREAS, Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp., an Ontario corporation ("Green Diamond") has prior to this date advanced sums to CECO Environmental Corp. (the "Company") as evidenced by a Third Amended and Restated Replacement Promissory Note dated December 30, 2004 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Fourth Amended and Restated Replacement Promissory Note (the "Note").

WHEREAS, Green Diamond has agreed to amend and restate the Prior Note and replace the Prior Note with this Note to extend the maturity date under the Prior Note and subordinate the amounts due thereunder to a new credit facility upon the terms set forth herein.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a Delaware corporation, hereby promises to pay to the order of Green Diamond Oil Corp. or registered assigns ("Holder"), the principal sum of FIVE MILLION FOUR HUNDRED FORTY-ONE

THOUSAND THREE HUNDRED AND FIFTEEN DOLLARS ($5,441,315) on the Maturity Date, as defined in Section 1 below. This Note is part of a series of Notes of like tenor and effect to this Note in the aggregate original principal amount of $5,000,000, which aggregate principal amount has been increased to $6,441,315, that were originally issued in connection with a mezzanine financing by the Company (the "1999 Subordinated Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) April 1, 2007; (ii) six (6) months after repayment of the Superior Debt (as defined in Section 8 below); or (iii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of twelve percent (12%) per annum from December 30, 2004, the date of the Prior Note. Accrued Interest shall be due and payable on June 30 and December 31 of each year. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement. In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder, including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the principal executive office of the Company, or such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 12.5, then to interest and the remainder to principal.

4. Registration, Transfer and Exchange of Notes. The Company will keep at its principal office a register in which it will provide for the registration of and transfer of this Note, at its own expense (excluding transfer taxes). If this Note is surrendered at said office or at the place of payment named in this Note for registration of transfer or exchange (accompanied in the case of

registration of transfer or exchange by a written instrument of transfer in form satisfactory to the Company duly executed by or on behalf of the holder), the Company, at its expense, will deliver in exchange one or more new notes in denominations of $10,000 or larger multiples of $1,000, as requested by the holder for the aggregate unpaid principal amount. Any note or notes issued in a transfer or exchange shall carry the same rights to increase notes surrendered. The Holder agrees that prior to making any sale, transfer, pledge, assignment, hypothecation, or other disposition (each, a "Transfer") of this Note, the Holder shall give written notice to the Company describing the manner in which any such proposed Transfer is to be made and providing such additional information and documentation regarding the Transfer as the Company reasonably requests. If the Company so requests, the Holder shall at his expense provide the Company with an opinion of counsel (which counsel must be reasonably satisfactory to the Company), in form and substance satisfactory to the Company, that the proposed Transfer complies with applicable federal and state securities laws. The Company shall have no obligation to Transfer this Note unless the Holder thereof has complied with the foregoing provisions, and any such attempted Transfer shall be null and void.

5. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, such Note and for all other purposes.

6. Prepayment.

6.1 Optional Prepayment. The Company, at its option and without any premium, may prepay in whole or in part the principal amount of this Note at 100% of the face value of this Note at any time; provided, however, that if the Company intends to prepay any one or more of the 1999 Subordinated Notes in part, it shall prepay the same percentage of each outstanding 1999 Subordinated Note. The Company shall, at the time of any such prepayment, pay to the holder of this Note all interest accrued and unpaid to the Prepayment Date (defined below). Notwithstanding the foregoing, once a notice of the Closing of a Sale Transaction pursuant to Section 12.4 has been sent to the Holder, the Company may not prepay this Note prior to the Closing of a Sale Transaction, or until the Sale Transaction has been formally abandoned.

6.2 Notice of Prepayment. At least five (5) but not more than fifteen (15) days prior to the date fixed for any prepayment, written notice shall be given to the Holder of this Note of the election of the Company to prepay all or a specified portion of the principal amount of this Note (the "Prepayment Notice"). The Prepayment Notice shall specify the date upon ("Prepayment Date") and the place at which, payment may be obtained and shall call upon the Holder to surrender this Note to the Company in the manner and at the place designated. On the Prepayment Date, the Holder shall surrender this Note to the Company in the manner and at the place designated in the Prepayment Notice, and thereupon prepayment shall be made to Holder and this Note shall be cancelled. In the event that less than all the principal amount of this Note is prepaid, upon surrender of this Note to the Company, the Company shall execute and deliver to Holder a new note or notes in principal amount equal to the unpaid principal amount of this Note.

6.3 Cessation of Rights. From and after the Prepayment Date, unless there has been a default under the Prepayment Notice, all interest on the redeemed principal amount shall cease to accrue and all rights of Holder as a Holder of this Note shall cease with respect to the principal amount prepaid and, with respect to such amount, this Note thereafter shall not be deemed to be outstanding for any purpose whatsoever. By acceptance of this Note, Holder agrees to execute and deliver such documents as may be reasonably requested from time to time by the Company in order to implement the foregoing provisions of this Section.

7. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December __, 2005 ("Superior Debt") among the Company, CECO Group Inc., CECO Filters, Inc., New Bush Co., Inc., The Kirk & Blum Manufacturing Company, kbd/Technic, Inc., CECOAire, Inc., CECO Abatement Systems, Inc. and Fifth Third Bank, upon the terms and conditions contained in the Subordination Agreement, dated as of December __, 2005 (as amended, restated, supplemented or modified from time to time, the "Subordination Agreement") in favor of Fifth Third Bank (together with its successors and assigns, and the other holders, if any, of the Senior Obligations identified therein).

8. Repayment of Notes. In the event the Company completes an equity financing or offering or a series of equity financing or offerings for a total consideration in excess of $10,000,000, then twenty-five percent (25%) of all such consideration in excess of $10,000,000 shall be used immediately, upon receipt by the Company, to pre-pay the 1999 Subordinated Notes, provided such prepayment shall be made proportionately among the 1999 Subordinated Notes until the 1999 Subordinated Notes are paid in full.

9. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holders of a majority of the aggregate principal amount outstanding of the 1999 Subordinated Notes ("Majority Holders"):

9.1 Obtain or incur any indebtedness or other monetary obligations that are senior to or on parity with the Notes, other than the Superior Debt.

9.2 Allow, suffer or cause to exist any lien, claim, security interest or encumbrance on the Company's property or assets, other than with respect to the Superior Debt and purchase money indebtedness incurred in the ordinary course of business.

9.3 Enter into any arrangement or agreement involving the merger or consolidation of the Company.

9.4 Use the proceeds from the sale of the 1999 Subordinated Notes other than in the ordinary course of its business for general corporate purposes including lending monies to any of its subsidiaries. The Company also covenants and agrees that it shall operate its business in the ordinary course.

10. Events of Default.

10.1 Occurrences of Events of Default. Each of the following events shall constitute an "Event of Default" for purposes of this Note:

(a) if the Company fails to pay any amount payable, under this Note when due;

(b) if the Company breaches any of its representations, warranties or covenants set forth in this Note or the agreement issued to Green Diamond setting forth the terms of the warrants issued in connection with the original issuance of the note representing the debt evidenced by this Note;

(c) the commencement of an involuntary case against the Company or its subsidiary or any of its subsidiaries under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or the appointing of a receiver, liquidator, assignee, custodian, trustee or similar official of the Company or for any substantial part of the Company or one of its subsidiary's property, or ordering the winding-up or liquidation of the Company or one of its subsidiary's affairs;

(d) if the Company or any of its subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or similar official of the Company or its subsidiary or for any substantial part of the Company or one of its subsidiary's property, or shall make any general assignment for the benefit of creditors, or shall take any corporate action in furtherance of any of the foregoing; or

(e) if the Company's business shall fail, as determined in good faith by the Majority Holders and evidenced by the Company's inability to pay its ongoing debts as such debts become due.

10.2 Acceleration Upon Event of Default. If any Event of Default shall have occurred and be continuing, for any reason whatsoever (and whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise), the unpaid principal amount of, and the accrued interest on, this Note shall automatically become immediately due and payable, without presentment, demand, protest or other requirements of any kind, all of which are hereby expressly waived by the Company.

11. Investment Representations of the Holder. With respect to the purchase of this Note, the Holder hereby represents and warrants to the Company as follows:

11.1 Experience. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests.

11.2 Investment. The Holder is acquiring the Securities for investment for its own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Holder is an "accredited investor" within the meaning of Regulation D, Section 501(a), promulgated by the Securities and Exchange Commission.

11.3 Access to Data. The Holder has had an opportunity to discuss the Company's business, management and financial affairs with the Company's management and has also had an opportunity to ask questions of the Company's officers, which questions were answered to its satisfaction.

12. Miscellaneous.

12.1 Invalidity of Any Provision. If any provision or part of any provision of this Note shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Note and this Note shall be construed as if such invalid, illegal or unenforceable provisions or part hereof had never been contained herein, but only to the extent of its invalidity, illegality or unenforceability.

12.2 Governing Law. The Note shall be governed in all respects by the laws of the State of Delaware, excluding its conflict of laws.

12.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) one (1) business day after transmission by facsimile transmission with a written confirmation copy sent by first class mail, or (iii) five (5) days after mailing if mailed by first class mail, to the following addresses:

If to the Company: CECO Environmental Corp.
3120 Forrer Street
Cincinnati, Ohio 45209
Attention: Dennis W. Blazer

And if to the Holder, to the address or facsimile number of Holder as set forth on the Company's records, or such other address as the Holder has provided to the Company by notice duly given.

12.4 Notice of a Sale Transaction. The Company shall give the Holder of this Note notice of the Closing of a Sale Transaction at least thirty (30) days prior to such Closing.

12.5 Collection. If the indebtedness represented by this Note or any part thereof is collected at law or in equity or in bankruptcy, receivership or other judicial proceedings or if this Note is placed in the hands of attorneys for collection after the occurrence of an Event of Default, the Company agrees to pay, in addition to the outstanding principal and accrued interest payable hereon, reasonable attorneys' fees and costs incurred by the Holder, or on behalf of the Holder by a representative of the Holder.

12.6 Successors and Assigns. The rights and obligations of the Company and the Holder shall be binding upon and benefit the successors, assigns, heirs, administrators and transferees of the parties.

12.7 Waivers. The Company and any endorsers, sureties, guarantors, and all others who are, or may become liable for the payment hereof severally: (a) waive presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note, (b) consent to all extensions of time, renewals, postponements of time of payment of this Note or other modifications hereof from time to time prior to or after the maturity date hereof, whether by acceleration or in due course, without notice, consent or consideration to any of the foregoing, (c) agree to any substitution, exchange, addition, or release of any of the security for the indebtedness evidenced by this Note or the addition or release of any party or person primarily or secondarily liable hereon, (d) agree that Holder shall not be required first to institute any suit, or to exhaust its remedies against the Company or any other person or party to become liable hereunder or against the security in order to enforce the payment of this Note and (e) agree that, notwithstanding the occurrence of any of the foregoing (except by the express written release by Holder of any such person), the Company shall be and remain, directly and primarily liable for all sums due under this Note.

12.8 Time. Time is of the essence in this Note.

12.9 Captions. The captions of sections of this Note are for convenient reference only, and shall not affect the construction or interpretation of any of the terms and provisions set forth in this Note.

12.10 Number and Gender. Whenever used in this Note, the singular number shall include the plural, and the masculine shall include the feminine and the neuter, and *vice versa*.

12.11 Remedies. All remedies of the Holder shall be cumulative and concurrent and may be pursued singly, successively, or together at the sole discretion of the Holder and may be exercised as often as occasion therefor shall arise. No act of omission or commission of the Holder, including specifically any failure to exercise any right, remedy or recourse shall be effective unless it is set forth in a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to one event shall not be construed as continuing as a bar to or as a waiver or release of any subsequent right, remedy, or recourse as to any subsequent event.

12.12 No Waiver by Holder. The acceptance by Holder of any payment under this Note which is less than the amount then due or the acceptance of any amount after the due date thereof, shall not be deemed a waiver of any right or remedy available to Holder nor nullify the prior exercise of any such right or remedy by Holder. None of the terms or provisions of this Note may be waived, altered, modified or amended except by a written document executed by Holder and then only to the extent specifically recited therein. No course of dealing or conduct shall be effective waive, alter, modify or amend any of the terms or provisions hereof. The failure or delay to exercise any right or remedy available to Holder shall not constitute a waiver of the right of the Holder to exercise the same or any other right or remedy available to Holder at that time or at any subsequent time.

12.13 Submission to Jurisdiction. BORROWER, AND ANY ENDORSERS, SURETIES, GUARANTORS AND ALL OTHERS WHO ARE, OR WHO MAY BECOME, LIABLE FOR THE PAYMENT HEREOF SEVERALLY, IRREVOCABLY AND UNCONDITIONALLY (A) AGREE THAT ANY SUIT, ACTION, OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT DELIVERED PURSUANT TO, OR IN CONNECTION WITH THIS NOTE SHALL BE BROUGHT AND MAINTAINED IN THE COURTS IN AND FOR HAMILTON COUNTY, OHIO, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO; (B) CONSENT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS IN ANY SUCH SUIT, ACTION OR PROCEEDING; AND (C) WAIVE ANY OBJECTION WHICH IT OR THEY MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION, OR PROCEEDING IN ANY OF SUCH COURTS.

12.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

12.15 This Note is issued, in part, in replacement of the Prior Note. The indebtedness evidenced by the Prior Note has not been paid; instead this Note is issued in substitution for the Prior Note and the unpaid indebtedness evidenced thereby continues to be outstanding and is intended to be evidenced hereby.

CECO ENVIRONMENTAL CORP.

By: /s/ Dennis W. Blazer

Dennis W. Blazer
Vice President – Finance and Administration
and Chief Financial Officer

STOCK OPTION AGREEMENT

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN

THIS AGREEMENT is dated and made effective as of April 20, 2005 ("Effective Date") by and between CECO ENVIRONMENTAL CORP., a Delaware corporation (the "Company"), and RONALD E. KRIEG ("Optionee").

WITNESSETH:

WHEREAS, Optionee on the date hereof is a Director of the Company or one of its Subsidiaries; and

WHEREAS, the Company desires to grant a non-qualified stock option to Optionee to purchase shares of the Company's Common Stock pursuant to the Company's 1997 Stock Option Plan, as amended (the "Plan"); and

WHEREAS, the Board of Directors of the Company has authorized the grant of a non-qualified stock option to Optionee and has determined that, on the Effective Date, the Fair Market Value of Option Stock of the Company is $2.82 per share.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. **Grant of Option**. The Company hereby grants to Optionee as of the Effective Date the right and option (the "Option") to purchase up to twenty-five thousand (25,000) shares of Option Stock ("Shares") at an exercise price of $2.82 per share on the terms and conditions set forth herein and subject to the terms and conditions of the Plan.

All capitalized terms not defined in this Agreement shall have the meaning set forth in the Plan.

2. **Vesting, Exercisability and Duration**.

a. Vesting and Exercise Period. The Option shall vest and become exercisable as follows:

(i) 5,000 options shall vest and become exercisable on April 20, 2006, provided that the Optionee is a member of the Board of Directors of the Company as of such date;

(ii) 5,000 options shall vest and become exercisable on April 20, 2007, provided that the Optionee is a member of the Board of Directors of the Company as of such date;

(iii) 5,000 options shall vest and become exercisable on April 20, 2008, provided that the Optionee is a member of the Board of Directors of the Company as of such date;

(iv) 5,000 options shall vest and become exercisable on April 20, 2009, provided that the Optionee is a member of the Board of Directors of the Company as of such date; and

(v) 5,000 options shall vest and become exercisable on April 20, 2010, provided that the Optionee is a member of the Board of Directors of the Company as of such date.

Unvested options may not be exercised.

b. Expiration. The Option shall expire on the earlier of (i) the date sixty (60) days from the date that Optionee no longer is a director of the Company or any of its subsidiaries for any reason, including without limitation, due to death or disability, or (ii) the close of business ten (10) years from the date of this Agreement, which is April 19, 2015 (the "Expiration Date") and must be exercised, if at all, on or before the Expiration Date.

c. Lapse Upon Expiration. To the extent that this Option is not exercised prior to the Expiration Date, all rights of Optionee under this Option shall thereupon be forfeited.

3. **Manner of Exercise**.

a. General. The Option may be exercised only by Optionee (or other proper party in the event of death or incapacity), subject to the conditions of the Plan and this Agreement, and subject to such other administrative rules as the Administrator deems advisable, by delivering written notice of exercise to the Company at its principal office, in the form attached hereto as Exhibit A. The notice shall state the number of Shares exercised and shall be accompanied by payment in full of the Option price for all Shares exercised pursuant to the notice. Any exercise of the Option shall be effective upon receipt of such notice by the Company, together with payment that complies with the terms of the Plan and this Agreement. The Option may be exercised with respect to any number or all of the shares as to which it can then be exercised and, if partially exercised, may be so exercised as to the unexercised shares at any time and from time to time prior to expiration of the Option as provided in this Agreement.

b. Form of Payment. Subject to approval by the Administrator, payment of the Option price by Optionee shall be in the form of cash, personal check, certified check, or where permitted by law and provided that a public market for the Company's stock exists: (i) through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; (ii) through a "margin" commitment from Optionee and a NASD Dealer whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (iii) by tender of shares of Common Stock of

the Company already owned by Optionee for a period of at least six (6) months prior to payment having a Fair Market Value on the date received by the Company equal to the exercise price for the Shares exercised. Optionee shall be solely responsible for any income or other tax consequences from any payment for Shares with Optionee's Common Stock of the Company.

c. Stock Transfer Records. Provided that the notice of exercise and payment are in form and substance satisfactory to counsel for the Company, as soon as practicable after the effective exercise of all or any part of the Option, Optionee shall be recorded on the stock transfer books of the Company as the owner of the Shares purchased, and the Company shall deliver to Optionee, or to the NASD Dealer, as the case may be, one or more duly issued stock certificates evidencing such ownership. All requisite original issue or transfer documentary stamp taxes shall be paid by the Company. Optionee shall pay all other costs of the Company incurred to issue such Shares to such NASD Dealer.

Shares purchased pursuant to exercise hereunder: (i) may be deposited with a NASD Dealer designated by Optionee, in street name, if so provided in such exercise notice accompanied by all applications and forms reasonably required by the Administrator to effect such deposit, or (ii) may be issued to Optionee and such other person, as joint owners with the right of survivorship, as is specifically described in such exercise notice. Optionee shall be solely responsible for any income or other tax consequences of such a designation of ownership hereunder (or the severance thereof).

4. **Miscellaneous**.

a. Rights to Employment and Rights as Shareholder. This Agreement shall not confer on Optionee any right with respect to employment by the Company or any Subsidiary. Optionee shall have no rights as a shareholder with respect to Shares subject to this Option until such Shares are issued to Optionee upon the exercise of this Option. No adjustment shall be made for dividends (ordinary or extra-ordinary, whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 11 of the Plan.

b. Securities Law Compliance. The exercise of the Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any securities exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer.

c. Mergers, Recapitalization, Stock Splits, Etc. The provisions of Section 11 of the Plan, as amended effective the Effective Date, shall govern all Options in the event of any reorganization, merger, consolidation, recapitalization, reclassification, change in par value, stock split-up, combination of shares or dividend payable in capital stock, or other such transaction described under Section 11 of the Plan, and the Company reserves all discretion provided therein.

d. Nontransferability. The Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

e. 1997 Stock Option Plan. The Option evidenced by this Agreement is granted pursuant to the Plan, as amended the Effective Date, a copy of which Plan has been made available to Optionee and is hereby incorporated into this Agreement. This Agreement shall be subject to and in all respects limited and conditioned as provided in the Plan. The Plan governs this Option and, in the event of any questions as to the construction of this Agreement or in the event of a conflict between the Plan and this Agreement, the Plan shall govern, except as the Plan otherwise provides.

f. Withholding. Optionee acknowledges that, upon exercise of all or any portion of this Option, the Company shall have the right to require Optionee to pay to the Company an amount equal to the amount the Company is required to withhold as a result of such exercise federal and state income tax purposes.

g. Scope of Agreement. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns and Optionee and any successor or successors of Optionee permitted Section 4(d) of this Agreement.

h. Interpretation. The Administrator shall have the sole discretion to interpret and administer the Plan. Any determination made by the Administrator with respect to any Option shall be final and binding on the Company and on all persons having an interest in the Option granted under this Agreement and the Plan.

i. Entire Option. The Plan, as amended, is incorporated herein by reference. This Agreement and the Plan constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

j. Successors and Assigns. The Company may assign any of its rights under the Option. The Option shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, the Option shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

k. Market Standoff Agreement. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

l. Governing Law. The Option shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to that body of law pertaining to choice of law or conflict of law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

CECO ENVIRONMENTAL CORP.

By: _____

Its: _____

OPTIONEE

/s/ Ronald E. Krieg

Ronald E. Krieg

The Grant set forth in this Agreement
has been approved by Administrators of
CECO Environmental Corp.
1997 Stock Option Plan

EXHIBIT A

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN (the "Plan")
STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of CECO ENVIRONMENTAL CORP. (the "Company") as set forth below:

Optionee: _____
Social Security Number: _____
Address: _____
_____
Type of Option: ☐ Incentive Stock Option
☐ Nonqualified Stock Option

Number of Shares Purchased: _____
Purchase Price per Share: _____
Aggregate Purchase Price: _____
Date of Option Agreement: _____
Exact Name of Title to Shares: _____
_____

1. Delivery of Purchase Price. Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Option Agreement (the "Option Agreement"), as follows (check as applicable and complete):

☐ in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

If the Committee allowed payment by other means in the Stock Option Agreement, add one or more of the following, as applicable:

☐ by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;

☐ through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of $_____; or

☐ through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of $_____.

2. Market Standoff Agreement. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

3. Tax Consequences. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Agreement, the Plan and the Option Agreement constitute the entire agreement and understanding of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by Delaware law except for that body of law pertaining to choice of law or conflict of law.

Date: _____

_____
Signature of Optionee

STOCK OPTION AGREEMENT

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN

THIS AGREEMENT is dated and made effective as of May 25, 2005 ("Effective Date") by and between CECO ENVIRONMENTAL CORP., a Delaware corporation (the "Company"), and ARTHUR CAPE ("Optionee").

WITNESSETH:

WHEREAS, Optionee on the date hereof is a Director of the Company or one of its Subsidiaries; and

WHEREAS, the Company desires to grant a non-qualified stock option to Optionee to purchase shares of the Company's Common Stock pursuant to the Company's 1997 Stock Option Plan, as amended (the "Plan"); and

WHEREAS, the Board of Directors of the Company has authorized the grant of a non-qualified stock option to Optionee at a price of $2.50 per share.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

1. **Grant of Option**. The Company hereby grants to Optionee as of the Effective Date the right and option (the "Option") to purchase up to fifteen thousand (15,000) shares of Option Stock ("Shares") at an exercise price of $2.50 per share on the terms and conditions set forth herein and subject to the terms and conditions of the Plan.

All capitalized terms not defined in this Agreement shall have the meaning set forth in the Plan.

2. **Vesting, Exercisability and Duration**.

a. Vesting and Exercise Period. The Option shall vest and become exercisable as follows:

(i) 5,000 options shall vest and become exercisable on May 25, 2006, provided that the Optionee is a member of the Board of Directors of the Company as of such date;

(ii) 5,000 options shall vest and become exercisable on May 25, 2007, provided that the Optionee is a member of the Board of Directors of the Company as of such date; and

(iii) 5,000 options shall vest and become exercisable on May 25, 2008, provided that the Optionee is a member of the Board of Directors of the Company as of such date.

Unvested options may not be exercised.

b. Expiration. The Option shall expire on the earlier of (i) the date sixty (60) days from the date that Optionee no longer is a director of the Company or any of its subsidiaries for any reason, including without limitation, due to death or disability, or (ii) the close of business ten (10) years from the date of this Agreement, which is May 24, 2015 (the "Expiration Date") and must be exercised, if at all, on or before the Expiration Date.

c. Lapse Upon Expiration. To the extent that this Option is not exercised prior to the Expiration Date, all rights of Optionee under this Option shall thereupon be forfeited.

3. **Manner of Exercise**.

a. General. The Option may be exercised only by Optionee (or other proper party in the event of death or incapacity), subject to the conditions of the Plan and this Agreement, and subject to such other administrative rules as the Administrator deems advisable, by delivering written notice of exercise to the Company at its principal office, in the form attached hereto as Exhibit A. The notice shall state the number of Shares exercised and shall be accompanied by payment in full of the Option price for all Shares exercised pursuant to the notice. Any exercise of the Option shall be effective upon receipt of such notice by the Company, together with payment that complies with the terms of the Plan and this Agreement. The Option may be exercised with respect to any number or all of the shares as to which it can then be exercised and, if partially exercised, may be so exercised as to the unexercised shares at any time and from time to time prior to expiration of the Option as provided in this Agreement.

b. Form of Payment. Subject to approval by the Administrator, payment of the Option price by Optionee shall be in the form of cash, personal check, certified check, or where permitted by law and provided that a public market for the Company's stock exists: (i) through a "same day sale" commitment from Optionee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby Optionee irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay for the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; (ii) through a "margin" commitment from Optionee and a NASD Dealer whereby Optionee irrevocably elects to exercise the Option and to pledge the Shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such Shares to forward the exercise price directly to the Company; or (iii) by tender of shares of Common Stock of the Company already owned by Optionee for a period of at least six (6) months prior to payment having a Fair Market Value on the date received by the Company equal to the exercise price for the Shares exercised. Optionee shall be solely responsible for any income or other tax consequences from any payment for Shares with Optionee's Common Stock of the Company.

c. Stock Transfer Records. Provided that the notice of exercise and payment are in form and substance satisfactory to counsel for the Company, as soon as practicable after the effective exercise of all or any part of the Option, Optionee shall be recorded on the stock transfer books of the

Company as the owner of the Shares purchased, and the Company shall deliver to Optionee, or to the NASD Dealer, as the case may be, one or more duly issued stock certificates evidencing such ownership. All requisite original issue or transfer documentary stamp taxes shall be paid by the Company. Optionee shall pay all other costs of the Company incurred to issue such Shares to such NASD Dealer.

Shares purchased pursuant to exercise hereunder: (i) may be deposited with a NASD Dealer designated by Optionee, in street name, if so provided in such exercise notice accompanied by all applications and forms reasonably required by the Administrator to effect such deposit, or (ii) may be issued to Optionee and such other person, as joint owners with the right of survivorship, as is specifically described in such exercise notice. Optionee shall be solely responsible for any income or other tax consequences of such a designation of ownership hereunder (or the severance thereof).

4. **Miscellaneous**.

a. Rights to Employment and Rights as Shareholder. This Agreement shall not confer on Optionee any right with respect to employment by the Company or any Subsidiary. Optionee shall have no rights as a shareholder with respect to Shares subject to this Option until such Shares are issued to Optionee upon the exercise of this Option. No adjustment shall be made for dividends (ordinary or extra-ordinary, whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such shares are issued, except as provided in Section 11 of the Plan.

b. Securities Law Compliance. The exercise of the Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Optionee with all applicable requirements of federal and state securities laws and with all applicable requirements of any securities exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer.

c. Mergers, Recapitalization, Stock Splits, Etc. The provisions of Section 11 of the Plan, as amended effective the Effective Date, shall govern all Options in the event of any reorganization, merger, consolidation, recapitalization, reclassification, change in par value, stock split-up, combination of shares or dividend payable in capital stock, or other such transaction described under Section 11 of the Plan, and the Company reserves all discretion provided therein.

d. Nontransferability. The Option may not be transferred in any manner other than by will or by the laws of descent and distribution and may be exercised during the lifetime of Optionee only by Optionee. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of Optionee.

e. 1997 Stock Option Plan. The Option evidenced by this Agreement is granted pursuant to the Plan, as amended the Effective Date, a copy of which Plan has been made available to Optionee and is hereby incorporated into this Agreement. This Agreement shall be subject to and in all respects limited and conditioned as provided in the Plan. The Plan governs this Option and, in the event of any questions as to the construction of this Agreement or in the event of a conflict between the Plan and this Agreement, the Plan shall govern, except as the Plan otherwise provides.

f. Withholding. Optionee acknowledges that, upon exercise of all or any portion of this Option, the Company shall have the right to require Optionee to pay to the Company an amount equal to the amount the Company is required to withhold as a result of such exercise federal and state income tax purposes.

g. Scope of Agreement. This Agreement shall bind and inure to the benefit of the Company and its successors and assigns and Optionee and any successor or successors of Optionee permitted Section 4(d) of this Agreement.

h. Interpretation. The Administrator shall have the sole discretion to interpret and administer the Plan. Any determination made by the Administrator with respect to any Option shall be final and binding on the Company and on all persons having an interest in the Option granted under this Agreement and the Plan.

i. Entire Option. The Plan, as amended, is incorporated herein by reference. This Agreement and the Plan constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

j. Successors and Assigns. The Company may assign any of its rights under the Option. The Option shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, the Option shall be binding upon Optionee and Optionee's heirs, executors, administrators, legal representatives, successors and assigns.

k. Market Standoff Agreement. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

l. Governing Law. The Option shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to that body of law pertaining to choice of law or conflict of law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek
Its: Chairman and CEO

OPTIONEE

/s/ Arthur Cape
Arthur Cape

The Grant set forth in this Agreement
has been approved by Administrators
of CECO Environmental Corp.
1997 Stock Option Plan

EXHIBIT A

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN (the "Plan")
STOCK OPTION EXERCISE AGREEMENT

I hereby elect to purchase the number of shares of Common Stock of CECO ENVIRONMENTAL CORP. (the "Company") as set forth below:

Optionee: _____
Social Security Number: _____
Address: _____
_____
Type of Option: ☐ Incentive Stock Option
☐ Nonqualified Stock Option

Number of Shares Purchased: _____
Purchase Price per Share: _____
Aggregate Purchase Price: _____
Date of Option Agreement: _____
Exact Name of Title to Shares: _____
_____

1. Delivery of Purchase Price. Optionee hereby delivers to the Company the Aggregate Purchase Price, to the extent permitted in the Option Agreement (the "Option Agreement"), as follows (check as applicable and complete):

☐ in cash (by check) in the amount of $_____, receipt of which is acknowledged by the Company;

If the Committee allowed payment by other means in the Stock Option Agreement, add one or more of the following, as applicable:

☐ by delivery of _____ fully-paid, nonassessable and vested shares of the Common Stock of the Company owned by Optionee for at least six (6) months prior to the date hereof (and which have been paid for within the meaning of SEC Rule 144), or obtained by Optionee in the open public market, and owned free and clear of all liens, claims, encumbrances or security interests, valued at the current Fair Market Value of $_____ per share;

☐ through a "same-day-sale" commitment, delivered herewith, from Optionee and the NASD Dealer named therein, in the amount of $_____; or

☐ through a "margin" commitment, delivered herewith from Optionee and the NASD Dealer named therein, in the amount of $_____.

2. Market Standoff Agreement. Optionee, if requested by the Company and an underwriter of Common Stock (or other securities) of the Company, agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by Optionee during the period requested by the managing underwriter following the effective date of a registration statement of the Company filed under the Securities Act, provided that all officers and directors of the Company are required to enter into similar agreements. Such agreement shall be in writing in a form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to the shares (or other securities) subject to the foregoing restriction until the end of such period.

3. Tax Consequences. OPTIONEE UNDERSTANDS THAT OPTIONEE MAY SUFFER ADVERSE TAX CONSEQUENCES AS A RESULT OF OPTIONEE'S PURCHASE OR DISPOSITION OF THE SHARES. OPTIONEE REPRESENTS THAT OPTIONEE HAS CONSULTED WITH ANY TAX CONSULTANT(S) OPTIONEE DEEMS ADVISABLE IN CONNECTION WITH THE PURCHASE OR DISPOSITION OF THE SHARES AND THAT OPTIONEE IS NOT RELYING ON THE COMPANY FOR ANY TAX ADVICE.

4. Entire Agreement. The Plan and Option Agreement are incorporated herein by reference. This Exercise Agreement, the Plan and the Option Agreement constitute the entire agreement and understanding of the parties and supersede in their entirety all prior understandings and agreements of the Company and Optionee with respect to the subject matter hereof, and are governed by Delaware law except for that body of law pertaining to choice of law or conflict of law.

Date: _____

_____
Signature of Optionee

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made as of this 6th day of September, 2005 (the "Effective Date") by and between The Kirk & Blum Manufacturing Company, whose address is 3120 Forrer Street, Cincinnati, OH 45209 ("Purchaser"), and Buckley Properties Co., whose address is 10333 Wayne Avenue, Cincinnati, Ohio 45215 ("Seller").

PRELIMINARY STATEMENT

Seller is the owner in fee simple of certain real property and improvements located on Wayne Avenue in Woodlawn, Ohio (said real property in its entirety contains approximately 5.6 acres, as further described in Exhibit A attached hereto, and 145,870 square feet of improvements, and referred to herein as the "Property"). Purchaser desires to purchase the Property and Seller desires to sell the Property in accordance with the terms and conditions set forth below.

AGREEMENT

In consideration of the mutual covenants and provisions of this Agreement, the parties agree as follows:

1. ***Purchase and Sale***. Purchaser agrees to purchase from Seller, and Seller agrees to sell to Purchaser or its nominee, the Property, subject to and in accordance with the terms and conditions set forth herein.

2. ***Consideration***.

(a) The purchase price for the Property shall be Three Million Three Hundred Thousand Dollars ($3,300,000) (the "Property Price"). Within three business days after the Effective Date, Purchaser shall deposit with Mercantile Title Agency, Inc., as Escrow Agent, the sum of Fifty Thousand Dollars ($50,000) (the "Earnest Money") in cash or by check, which amount shall be held by Escrow Agent and shall be disbursed as provided in this Agreement.

(b) The Earnest Money shall be credited to the Property Price if the Closing occurs. If Purchaser defaults, the Earnest Money shall be paid to Seller as liquidated damages and Seller's sole remedy. If Seller defaults, or if Purchaser terminates this Agreement due to failure of any contingency or any other reason permitted by this Agreement, then the Earnest Money shall be refunded to Purchaser.

3. ***Title; Survey; Zoning; Environmental***. Within 5 days after the Effective Date, Seller shall deliver to Purchaser any title insurance policy or other title examination of the Property, any

survey or other information concerning the physical condition or zoning of the Property, any environmental report concerning the Property and a Board of Directors resolution authorizing the transaction contemplated by this Agreement. Within 45 days after the Effective Date ("Inspection Period"), Purchaser shall have the right to have an ALTA/ACSM Land Title Survey of the Property (the "Survey") at Purchaser's cost. Purchaser shall also have the right to have any other information provided by Seller updated or to obtain a new title examination, survey, environmental report or physical condition report, or any other report and if the Survey or any other information or report discloses any conditions which make title unmarketable or are otherwise inconsistent with Purchaser's intended use of the Property in a manner substantially similar to its operations at its existing facility on Forrer Street, then Purchaser shall give written notice to Seller, and Seller shall have the right, but not the obligation, to cure such matters to Purchaser's satisfaction; provided, that Seller shall have the obligation to remove mortgages or other liens on the Property, other than non-delinquent real estate taxes, at or before the Closing. Seller shall notify Purchaser, in writing, of which objectionable matters it will cure and how within five (5) days after receipt of Purchaser's notice of objection. If Seller decides not to cure any objectionable matter to Purchaser's satisfaction, whether Seller's notice is given to Purchaser before or after expiration of the Inspection Period, then Purchaser may thereafter terminate this Agreement by written notice given to Seller within five (5) days after receipt of Seller's notice that it is unable or unwilling to cure such objectionable matter and receive a refund of the Earnest Money. If Purchaser fails to give such termination notice, Purchaser shall be deemed to have waived such matter and the parties shall proceed to Closing.

4. ***Escrow; Fees***.

(a) The consummation of the transaction including payment of the Purchase Price in exchange for a general warranty deed to the Property is referred to as the "Closing". The Closing shall occur on November 15, 2005, or such earlier date as determined by Purchaser, the date so established referred to as the Closing Date. The general warranty deed shall transfer marketable title in fee simple to the Property to Purchaser or its nominee, free and clear of all liens and encumbrances other than easements and restrictions of record, and non-delinquent ad valorem real estate taxes. Seller shall be responsible for state and county conveyance fees and the cost of recording any mortgage releases or other documents necessary to clear title, and Purchaser shall be responsible for deed recording fees. Purchaser shall pay any escrow fees and any costs associated with the preparation of the title commitment and the title policy. Each party shall be responsible for its own attorneys' fees. At Closing, each party shall execute and deliver all documents reasonably necessary to effectuate the transaction contemplated by this Agreement including such affidavits of title and citizenship that the Escrow Agent may require, and all other documents reasonably necessary to consummate the transaction contemplated by this Agreement. Additionally, each party shall execute and deliver the License attached hereto as Exhibit B which shall be effective as of the date of Closing ("License").

(b) ***Holdback***. Escrow Agent shall pay all of the Purchase Price to Seller at Closing except for Three Hundred Thousand and 00/100 Dollars ($300,000.00) ("Holdback") which Escrow Agent shall continue to hold in trust in an interest bearing account. Escrow Agent shall pay the Holdback to Seller not less than five (5) working days, and not more than fifteen (15) working days, after Seller notifies Purchaser and Escrow Agent, in writing, that Seller has fully vacated the Property in accordance with the terms of the License. If the parties cannot agree as to when or if

Seller has vacated the Property, the Escrow Agent shall follow the provisions of Section 4(c) relating to disposition of the Holdback. Any interest accumulated on the Holdback shall be paid to the recipient of the Holdback. The provisions of this Section 4(b) shall survive the Closing.

(c) Escrow Agent hereby accepts its designation as Escrow Agent hereunder and agrees to hold and disburse the Earnest Money as herein provided. Escrow Agent shall not be liable for any acts taken in good faith, shall only be liable for its willful or gross negligence. In the event of a dispute between Purchaser and Seller under this Agreement sufficient in the discretion of Escrow Agent to justify its doing so, Escrow Agent shall be entitled to tender into the registry or custody of any court of competent jurisdiction all money or property in its hands under the terms of this Agreement, together with such legal proceedings as it deems appropriate, and thereupon to be discharged from all further duties under this Agreement. Any such legal action may be brought in any such court as Escrow Agent shall determine to have jurisdiction thereof. Seller and Purchaser hereby agree to indemnify and hold harmless Escrow Agent against any and all losses, claims, damages, liabilities and expenses, including, without limitation, reasonable costs of investigation and counsel fees and disbursements which may be imposed upon Escrow Agent or incurred by it in connection with its acceptance of this appointment as Escrow Agent hereunder or the performance of its duties hereunder, including, without limitation, any litigation arising from this Agreement or involving the subject matter hereof; provided, however, that if Escrow Agent shall be found guilty of willful default or gross negligence under this Agreement, then, in such event, Escrow Agent shall bear all such losses, claims, damages and expenses; and provided further, that neither Seller nor Purchaser shall have any liability to Escrow Agent under this indemnity provision for any cost of litigation incurred by Escrow Agent, including, without limitation, attorney fees, arising or caused solely by the conduct of the other party which results in a dispute solely between the other party and Escrow Agent. The provisions of this Section 4(c) shall survive the Closing.

5. ***Inspections and Tests***. Within the Inspection Period, Purchaser, at its own expense, shall have the privilege of access to the Property for the purpose of making inspections, environmental assessments, surveys, test borings, soil analyses, physical inspection and other tests and surveys thereon commensurate with determining in Purchaser's sole discretion the suitability of said Property for Purchaser's purposes. All entries onto the Property by Purchaser shall be upon not less than 48 hours verbal notice to Seller and Seller's lessee, and at such times and under such circumstances as to minimize interference with Seller's use of the Property to the extent reasonably possible. Purchaser shall repair any damage to the Property resulting from such activities. From and after the Effective Date Seller shall not, without Purchaser's consent, enter into any leases or other encumbrances of the Property that could survive the Closing hereunder.

6. ***Seller's Covenants***. Seller, to the best of Seller's knowledge, represents, covenants and warrants to Purchaser as follows:

(a) All taxes for all prior years, other than any not yet due and payable, have been paid. Further, all taxes and assessments paid in installments for the current year are to be prorated as of Closing, subject to adjustment when final bills are received if current year taxes are not finally determined at the time of Closing. Purchaser is to receive the full benefit of any real estate tax abatement that has been arranged by Seller.

(b) All existing assessments and/or governmental charges, both recorded and unrecorded, which exist as of Closing, that could be or are chargeable before or after Closing, either as a result of applying for any construction, building development or utility service permits or as a result of delayed, installment or extended billing for any utility service or connection, have been paid or will be paid by Seller at Closing provided, however, that any assessment payable in installments shall be prorated at Closing.

(c) Seller is solvent and not involved in any bankruptcy proceedings. There are no suits, actions, judgments, proceedings or investigations pending or threatened against the Seller or the Property before any court, arbitrator, or administrative or governmental body.

(d) No condemnation or eminent domain proceedings affecting the Property have been commenced or, to the best of Seller's knowledge, are contemplated.

(e) Neither Seller nor the Property is subject to any commitment, obligation, or agreement, including, but not limited to, any leasehold interest, right of first refusal or option to purchase or lease granted to a third party, which could or would prevent Seller from completing or impair Seller's ability to complete the sale of the Property under this Agreement or which would bind Purchaser subsequent to consummation of the transaction contemplated in this Agreement. Seller shall terminate any existing leasehold or other possessory interests upon the Property, or any part thereof, prior to Closing, and shall be solely responsible for any liability which may arise as a result of such termination.

(f) Seller holds good and indefeasible fee simple title to all the Property and has all necessary power and authority to enter into this Agreement and to bind the Property and its operation. The Property is properly zoned for industrial uses and there are no encumbrances on the Property which materially interfere with the use of the Property for its current use or which will impede Seller's use of the Property for its intended use. There are no existing leases or other agreements permitting third-party occupancy of any part of the Property except for a lease to Buckley Manufacturing which will be terminated at or before Closing.

(g) The Property and its operation are in compliance with all Environmental Laws and there is not on the Property any hazardous, toxic or dangerous waste, substance or material within the meaning of any Environmental Law. Environmental Laws shall mean any federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent, decree or judgment relating to the environment, health, safety or hazardous materials.

(h) All improvements on the Property are in good and working condition, including all structural, electrical, mechanical and HVAC components thereof.

(i) The Property consists of a two tax parcels, each with immediate access to a contiguous public right of way.

7. ***Obligations of Seller***. During the pendency of this Agreement, Seller shall not make any changes in the improvements on the Property, nor create any additional encumbrances on the title to the Property, nor initiate or consent to any change in the zoning or other regulatory controls applicable to the Property, without Purchaser's consent in each instance.

8. ***Contingencies***. Purchaser's obligations to purchase the Property shall be contingent upon satisfaction of the following contingencies (unless Purchaser waives in writing all unsatisfied contingencies), and Purchaser may terminate this Agreement at any time prior to Closing (up to and including the Closing Date) by written notice to Seller if any contingency is unsatisfied:

(a) Purchaser's approval of the survey obtained under Section 3 as acceptable in Purchaser's good faith discretion.

(b) Purchaser's approval of title to the Property pursuant to Section 3 as acceptable in Purchaser's good faith discretion. Purchaser need not object to any lien, lease, or other matter which Seller is obligated to remove at Closing under other terms of this Agreement.

(c) Receipt by Purchaser, at Purchaser's expense, of an inspection report or reports showing the condition of the Property to be satisfactory in Purchaser's good faith discretion, and covering the soundness of the soil, structure, environmental matters, availability of utilities and access, and such other matters as Purchaser may reasonably require.

(d) Seller shall have complied with Seller's obligations under this Agreement in all material respects.

(e) Purchaser selling and closing upon the sale of its facility located at 3120 Forrer Street, Cincinnati, Ohio 45209.

(f) The Purchaser obtaining a loan commitment from a lender at current prevailing market rates and terms and funding of such loan.

(g) The Purchaser finding and obtaining land near or adjacent to the Property for additional parking.

(h) The Purchaser obtaining acceptable incentives from Ohio, Hamilton County, and Woodlawn for relocating its business operations on the property.

If any contingencies are not satisfied, or will not be satisfied, as of the Closing Date, Purchaser may terminate this Agreement by notice to Seller in writing and receive the return of the Earnest Money. Notwithstanding the foregoing, Purchaser shall satisfy itself or waive the contingencies in (a) - (c) above within the Inspection Period as contemplated by Section 3 of this Agreement. Thereafter, contingencies (a) - (c) will be deemed modified so that only a change in such matters between the date each contingency is satisfied or waived and the Closing, or Seller's failure to actually cure an identified objectionable matter shall be a contingency to Closing.

9. ***Eminent Domain; Damage***. If prior to Closing all or any part of the Property is condemned or appropriated by public authority or any party exercising the right of eminent domain, or is threatened thereby, Seller shall give Purchaser written notice thereof and Purchaser shall either,

at its option: (a) terminate this Agreement and the amounts paid to Seller pursuant to this Agreement shall be refunded immediately and the parties shall be released from further liability; or (b) elect to proceed under this Agreement and the Property Price shall be reduced by the amount of Seller's award.

10. ***Risk of Loss***. Prior to Closing, Seller shall retain the risk of loss or damage to the Property. If the Property is damaged or destroyed and not restored, the Purchase Price shall be reduced by the amount of any insurance proceeds received by Seller. It shall be a condition of Purchaser's obligation to proceed to Closing that the Property be in substantially the same condition as on the Effective Date, other than changes caused or approved by Purchaser.

11. ***Notices***. All notices or other communications required or permitted to be given under this Agreement shall be in writing (unless specified otherwise) and shall be deemed to have been delivered to a party upon personal delivery to that party or: (a) on the day of delivery by facsimile transmission to any telephone number provided by the party for such purposes, if simultaneously mailed as provided herein; (b) on the day of deposit for overnight delivery with Federal Express, with charges prepaid; or (c) on the fourth (4th) business day following deposit with the United States Postal Service, certified mail, return receipt requested, postage prepaid, and in any case addressed to the party's address set forth at the beginning of this Agreement, or to any other address that the party provides by notice, in accordance with this paragraph, to the other party.

12. ***Governing Law***. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio applicable to agreements made and to be performed wholly within that state, irrespective of such state's choice-of-law principles.

13. ***Confidentiality***. Seller understands, acknowledges and agrees that this Agreement, the terms, specifications, covenants and conditions set forth herein, the parties' negotiations concerning this Agreement, and all other information exchanged between the parties hereto, are and shall remain confidential, and that neither Seller nor Seller's representatives shall disclose, directly or indirectly, such confidential information to any third person without the express written consent of the Purchaser; provided, however, that the Seller shall be permitted to disclose such confidential information to Seller's accounting, legal and other professional advisers having similar obligations of confidentiality and non-disclosure, as may be required for purposes contemplated herein, and as may otherwise be required by applicable law.

14. ***Commissions***. Seller and Purchaser mutually covenant each unto the other that no agent, broker or other person or entity acting pursuant to authority of the Seller or Purchaser is entitled to any commission or finder's fee in connection with the transaction(s) contemplated by this Agreement, other than West Shell Commercial which has been retained by Seller, nor have Seller or Purchaser otherwise dealt with anyone else purporting to act in the capacity of finder, broker or agent with respect to such transactions whereby Seller or Purchaser may be obligated to pay any broker's fee, finder's fee or commission. Seller shall be solely responsible for payment of any commission or fee. Seller and Purchaser further agree to indemnify and hold the other harmless from and against the claims of any other broker or agent claiming compensation by, through, or under the indemnifying party.

15. ***Recording of Agreement***. This Agreement shall not be recorded.

16. ***Counterparts; Entire Agreement***. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. It is understood that this document constitutes the entire Agreement. Any changes, alterations, extensions or deletions shall be in writing and executed by all parties in order to be effective. All covenants, agreements, representations and warranties, shall survive any Closing.

17. ***Like-Kind Exchange***. Each party acknowledges that the other may determine to treat this transaction as a like-kind exchange pursuant to Section 1031 of the Internal Revenue Code. Therefore, each party agrees to reasonably cooperate with the other, at no cost to the cooperating party, to facilitate such a like-kind exchange including without limitation execution of any documents reasonably necessary to memorialize such a like-kind exchange transaction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the parties have entered into this Agreement.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli
Name: L. John Bertoli, III
Its: Vice President

Agreed and accepted:

SELLER:

Buckley Properties Co.

By: _____
Name: _____
Its: _____

ESCROW AGENT:

Mercantile Title Agency, Inc.

By: /s/ Steven H. Schreiber
Name: Steven H. Schreiber
Its: President

EXHIBIT A
PROPERTY DESCRIPTION

EXHIBIT B
LICENSE

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (the "License") is made this 6th day of September, 2005, which date is contemporaneous with the execution of a certain Purchase Agreement by and between THE KIRK & BLUM MANUFACTURING COMPANY, whose address is 3120 Forrer Street, Cincinnati, Ohio, 45209 ("Licensor") and BUCKLEY PROPERTIES CO., whose address is 10333 Wayne Avenue, Cincinnati, Ohio, 45215 ("Licensee"), and is in contemplation of occupation of the "Premises" Licensor defined, after closing of the transaction contemplated in the aforesaid Purchase.

WITNESSETH:

1. Premises Licensed/Term.

A. Licensor hereby irrevocably grants a license to Licensee, and Licensee hereby licenses from Licensor, as hereinafter provided, the entire Premises and improvements contained thereon, all as set forth in the heretofore referenced Purchase Agreement ("Premises"), for a four (4) month period ("Initial License"), commencing on the closing date of Licensor's purchase of the property set forth in the aforesaid Purchase Agreement ("Effective Date"), subject to the following:

(i) Licensor shall have complete access to the offices located on the second floor of the Premises for purposes of its renovation. Licensor shall not interfere with Licensee's first floor office.

(ii) Licensor shall have access to the Premises for purposes of extending the existing dock bay number 6 into bay G-H.

(iii) Licensor shall have limited access to the Premises to install machine pits and bases in an area contained by existing bay areas G18 and G19, together with crane bay H-2 to G-21. Licensor will install plates over the completed pits upon completion.

(iv) Licensor shall have non-exclusive use to the entire Premises for purposes of ingress and egress to install necessary utilities and electrical drops for equipment, provided such improvements do not materially hinder Licensee from its continuing operations.

(v) Licensor shall have reasonable access to the entire bay from B-2/H-1 (front high bay) and E-2 to D-14 (original high bay) to install or modify new and existing crane runs.

(vi) Licensor may, as needed, remove the door and wall separating the east and west sides of the Premises to facilitate the installation of a crane. Notwithstanding the foregoing, the cost of heating the Premises to a working temperature of 65 degrees is to be shared equally between Licensor and Licensee. Licensor can avoid the sharing of the heating cost if a suitable temporary barrier is installed in the new opening, allowing the same difference in heating as when the door was in place.

All items relative to access to the Premises set forth in subparagraphs (ii) through (iv) shall be restricted to Licensee's normal operating hours (7:30 a.m. to 4:00 p.m.), and all such areas utilized by Licensor hereunder shall be maintained broom-clean during the installation/construction period, so as not to adversely affect Licensee's continuing manufacturing operations. Licensee agrees to cooperate with Licensor to facilitate Licensor's work at, and use of, the Premises during the term of this License.

B. At the conclusion of the Initial License, Licensor grants to Licensee a license to use a portion of the Premises shown on Exhibit A for an additional period of up to two (2) months ("Extended License") on a shared basis with Licensor, subject to the following:

(i) During the term of the Extended License, the parties hereto anticipate that Licensee will continue its normal manufacturing operation, including but not limited to operation of one fuel tank line in the area of bays F16/B16 to F17/B17. Licensee will operate small presses and spot welders in bays B8/D8 to B15/D15. Licensee will maintain presence in the Quality control office and first floor office. Licensee will move storage of inventory to bays D2/G2 to D14/G14. Licensee will move inventory if needed to facilitate Licensor's installation of equipment. In any event, Licensee shall not materially interfere with Licensor's operations.

(ii) Licensee shall have access to its inventory and shall be afforded proper dock use for loading and unloading its product and racks (in docks/doors 7 or 11). In any event, Licensee shall not materially interfere with Licensor's operations.

2. Rent. The granting of the within License interest to Licensee in and to the Premises is an integral part of the Purchase Agreement by and between the parties hereto, and requires no payment of rent or additional consideration during the term of the license.

3. Compliance with Laws. Licensee's use of the Premises shall, subject to the right of diligent contest, comply with all laws, ordinances, orders, regulations or zoning classifications of any lawful governmental authority, agency or other regulatory authority having jurisdiction over the property; provided, however, that Licensor, without cost or expense to Licensee, shall make or cause to be made all alterations, additions and improvements requiring expenditures in the nature of capital expenditures, where such are required to be made under any applicable laws, ordinances, rules or regulations, now or hereinafter adopted or enacted unless due to Licensee's specific use of the Premises or such alteration, addition or improvement is required prior to the date of this License, in which event such alteration, repair or improvement shall be at Licensee's cost. Licensee shall not do any act or follow any practice relating to the property which shall constitute a nuisance.

4. Licensor's Covenant to Repair. Except as provided hereinafter, Licensor at its expense shall be responsible for all maintenance, repairs or replacements to the roof, exterior walls, structural members of the property and major components of the systems located in the property, including but not limited to the plumbing, wiring, electrical, heating and air conditioning systems unless due to the act or omission of Licensee which shall be Licensee's obligation and responsibility.

5. Licensee's Covenant to Repair. During the Initial License, Licensee shall, at its sole expense, be responsible for maintaining the existing security and fire protection systems and door locks of the property, excepting the second floor offices, which remain under Licensor's complete control and are not subject to this License Agreement.

6. Surrender. Licensee shall, upon termination of this License, peaceably and quietly surrender the property to Licensor, broom-clean, in as good condition as the property was when received, ordinary wear and tear and damage by casualty excepted.

7. Alterations. No structural alteration, addition or improvement to the property shall be made by Licensee without the consent of Licensor. Any alteration, addition or improvement made by Licensee and any fixtures installed as part thereof may, at Licensee's sole option, remain the property of Licensee or become a part of Licensor's property upon surrender of the property.

8. Utilities and Other Services. Licensee shall pay upon receipt of a statement for, all water, heat, gas, electricity, light and other utilities used on the Premises during the Initial License, excepting therefrom utilities furnished to the office on the second floor, which shall be the sole responsibility of Licensor. Provided known in advance, Licensor shall give Licensee at least twenty-four (24) hours' prior written notice of any interruption or discontinuance of utility service, except in the case of an emergency. Licensor shall pay or cause to be paid the cost of all utilities as provided for herein during the Extended License, excepting therefrom the parties' agreement to share the cost of heating the Premises as set forth below.

During the Extended License, the rear of the building will be maintained at approximately sixty-five (65º) degrees Fahrenheit, and the front of the building will be maintained at a minimum of forty (40º) degrees Fahrenheit, and the cost of such utility usage shall be shared 25% by Licensee, and 75% by Licensor.

9. Assignment and Subletting. The parties hereto acknowledge that Licensee will sublet Premises during both License terms to Buckley Manufacturing Company per the prior consent of Licensor, but shall not otherwise assign, sublet or permit the property or any part thereof to be used by any third party without Licensor's written consent. Any reference to Licensee also includes Buckley Manufacturing Company.

10. Taxes and Assessments. Licensor shall pay all taxes, including but not limited to real property taxes assessed or assessable on or attributed to the property during the License. Licensee shall pay all personal property taxes assessed against Licensee's property within the Premises.

11. Casualty. In case of damage to or destruction of any building forming part of the Premises or of any machinery, fixtures or equipment (except equipment and furnishings owned by Licensee) used in the operation and maintenance of the Premises, by fire or otherwise, which renders the Premises unusable or unsuitable for Licensee's continued use thereof, this License shall terminate.

12. Insurance.

A. During this License, Licensor shall maintain casualty insurance on the Premises at its sole cost and expense, including the building service, at its full replacement cost.

B. During this License, Licensee shall maintain insurance on its personal property located on the Premises and commercial public liability insurance coverage, at its sole cost and expense.

C. All policies of insurance required to be maintained by Licensee shall name Licensee as the insured and Licensor as an additional insured, as their respective interests may appear, and shall be endorsed with standard mortgagee clause with loss payable to any mortgagee(s) for the Premises as their interests may appear. All such policies shall, to the extent obtainable, contain an agreement by the insurers that such policies shall not be cancelled without at least thirty (30) days prior written notice to Licensor and to the holder of any mortgage to whom loss hereunder may be payable.

D. Neither Licensor nor Licensee shall be liable to the other or to any insurance company (by way of subrogation or otherwise) insuring the other party for any loss or damage to any building, structure or other tangible property, or any resulting loss of income, or losses under worker's compensation laws and benefits, even though such loss or damage might have been occasioned by the negligence of such party, its agents or employees, to the extent that any such loss or damage is covered by insurance benefiting the party suffering such loss or damage or was required to be covered by insurance pursuant to this License. Each party shall cause each insurance policy obtained by it as required by this License to provide that such insurance company waives all right of recovery by way of subrogation in connection with any damage or loss covered by such policy.

13. Indemnity.

A. Licensee agrees to indemnify, defend and hold Licensor harmless against and from any and all claims, liabilities, expenses, demands, damages, costs, losses, fees and charges by or on behalf of any person, firm or corporation arising by reason of injury to person or property occurring on the Premises to the extent resulting from any act or omission caused by the gross negligence or intentional misconduct of Licensee or any servant, agent, employee or licensee of Licensee, or by reason of any unlawful use of the Premises, or by reason of any breach, violation or non-performance of any covenant in this License on the part of Licensee to be observed or performed. Licensee agrees in any event to reimburse and compensate Licensor within thirty (30) days of rendition of any statement to Licensee by Licensor for reasonable expenditures made by Licensor or for fines sustained or incurred by Licensor due to non-performance or non-compliance with or breach or failure to observe any term, covenant or condition of this License upon Licensee's part to be kept, observed, performed or complied with.

B. Licensor agrees to indemnify, defend and hold Licensee harmless against and from any and all claims, liabilities, expenses, demands, damages, costs, losses, fees and charges by or on behalf of any person, firm or corporation arising by reason of injury to person or property

occurring on the Premises to the extent resulting from any act or omission caused by the gross negligence or intentional misconduct of Licensor or any servant, agent, employee or licensee of Licensor, or by reason of any unlawful use of the Premises, or by reason of any breach, violation or non-performance of any covenant in this License on the part of Licensor to be observed or performed. Licensor agrees in any event to reimburse and compensate Licensee within thirty (30) days of rendition of any statement to Licensor by Licensee for reasonable expenditures made by Licensee or for fines sustained or incurred by Licensee due to non-performance or non-compliance with or breach or failure to observe any term, covenant or condition of this License upon Licensor's part to be kept, observed, performed or complied with.

14. Default; Remedies.

A. Upon the occurrence of any one or more of the following events (the "Events of Default"), the party not in default shall have, at its option, the right to exercise any rights of remedies available in this License, at law or in equity. Events of Default shall be:

(i) Failure to perform any of the terms, covenants or conditions contained in this License if not remedied within seven (7) days after receipt of written notice thereof, or, if such default cannot reasonably be remedied within such period, such party does not within seven (7) days after written notice thereof commence such act or acts as shall be necessary to remedy the default and shall not thereafter complete such act or acts within a reasonable time; and

(ii) Either party becomes bankrupt or insolvent, or files any debtor proceedings, or files pursuant to any statute a petition in bankruptcy or insolvency or for reorganization, or files a petition for the appointment of a receiver or trustee for all or substantially all of its assets, or if such party makes an assignment for the benefit of creditors, or if its interest in this License is attached, seized or made subject to any other judicial seizure.

B. In addition to its other remedies, either party, upon an Event of Default by the other party, shall have the immediate right, after any applicable grace period expressed herein, to (i) pay or perform any obligation on the part of the defaulting party to be paid or performed, upon demand, including all costs and expenses incurred, and/or (ii) the right to pursue any other legal or equitable remedy available to it.

15. Eminent Domain. If all or any portion of the Premises is taken under the power of eminent domain (including any conveyance made in lieu thereof), then this License shall terminate. All compensation awarded for any taking (or the proceeds of a private sale in lieu thereof) shall be the property of the Licensor, whether such award is for compensation for damages to the Licensor's or Licensee's interest in the Premises, and Licensee hereby assigns all of its interest in any such award to Licensor; provided, however, Licensor shall not have any interest in any separate aware made to Licensee for loss of business, moving expenses or the taking of Licensee's trade fixtures or equipment if a separate aware for such items are made to Licensee.

16. Notices. All notices required or permitted to be given under this License shall be in writing and shall be deemed given and delivered, whether or not received, when deposited in the United States certified mail, return receipt requested, postage prepaid and properly addressed,

to the addresses set forth below, or at such other address as either party may designate for itself by at least ten (10) days prior written notice to the other party.

To Licensee:	To Licensor:
Buckley Properties Co. 10333 Wayne Avenue Cincinnati OH 45215 Attn: Tom Strotman	The Kirk & Blum Company 3120 Forrer Street Cincinnati OH 45209 Attn: Dave Blum

17. No Waiver. No course of dealing between Licensor and Licensee, or any delay or omission of Licensor or Licensee to insist upon a strict performance of any term or condition of this License, shall be deemed a waiver of any right or remedy that such party may have, and shall not be deemed a waiver of any subsequent breach of such term or condition.

18. Quiet Enjoyment. Licensor covenants and agrees that Licensee, upon paying the rent and observing and keeping the covenants, agreements and stipulations of this License on its part to be kept, shall lawfully, peaceably and quietly hold, occupy and enjoy the Premises during the term without hindrance, ejection or molestation. Licensor covenants and warrants that it is lawfully seized of the Premises and has good, right and lawful authority to enter into this License for the full term aforesaid, that the Premises are free and clear of all encumbrances, and that Licensor will put Licensee in actual possession of the Premises on the Effective Date.

19. Subordination. This License is subject and subordinate to any and all mortgages or deeds of trust now on the Premises, and this clause shall be self-operative without any further instrument necessary to effect such subordination; provided, however, that such subordination of this License is conditional upon the mortgagee under such mortgage, or the trustee and the beneficiary under such deed of trust, executing and delivering to Licensee a commercially reasonable written instrument in recordable form providing that this License will not be affected by any foreclosure or other default proceeding under such mortgage or deed of trust, so long as Licensee is not in default hereunder. Licensor shall be responsible for paying all legal fees and expenses incurred in obtaining any subordination, non-disturbance and attornment agreement described herein.

20. Invalidity. If any provision of this License shall be declared invalid or unenforceable, the remainder of the License shall continue in full force and effect.

21. Counterparts. This License may be executed in two (2) or more counterparts, which taken together shall be deemed one (1) original.

22. Time. Time is of the essence in each and every provision regarding the parties' respective performances under this License.

23. Cumulative. All rights and remedies of Licensor and Licensee herein shall be cumulative and none shall be exclusive of any other or of any rights and remedies allowed by law.

24. Governing Law. This License shall be governed by, construed and enforced in accordance with the laws of the State of Ohio.

25. Successors and Assigns. The covenants, terms, conditions, provisions and undertakings in this License shall extend to and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto, and shall be construed as covenants running with the land.

26. Entire Agreement. This License, together with any exhibits attached hereto, contains the entire agreement and understanding between the parties. There are no oral understandings, terms or conditions, and neither party has relied upon any representations, express or implied, not contained in this License. All prior understandings, terms or conditions are deemed merged in this License. This License cannot be changed or supplemented orally, but may be modified or amended only by a written instrument executed by the parties.

27. Use of Premises. During the term of this License, Licensee shall use and occupy the Premises for manufacturing, warehousing and/or business operations in connection therewith, and no other use shall be made thereof without the express written consent of Licensor. Licensee at its own expense shall materially conform its usage of the Premises with all present and future laws, ordinances, rules and regulations of all governmental authority applicable thereto; provided, however, that if Licensee is required by any such authority to make any expenditure under this provision, Licensee may terminate this License immediately.

IN WITNESS WHEREOF, the parties have hereunto executed this Agreement the day and year first above written.

LICENSOR:

Witnesses:

THE KIRK & BLUM COMPANY

By: _____

L. John Bertoli III, Vice President

LICENSEE:

Witnesses:

BUCKLEY PROPERTIES CO.

By: _____

Tom Strotman, Treasurer

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

BE IT REMEMBERED that on the __ day of _____, 2005, before me, a Notary Public in and for said County and State, personally came L. John Bertoli, III, Vice President, of THE KIRK & BLUM COMPANY, Licensor in the foregoing License Agreement and Option to Purchase, and acknowledged the signing thereof to be his/her free and voluntary act and deed on behalf of said Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year aforesaid.

_____
Notary Public

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

BE IT REMEMBERED that on the __ day of _____, 2005, before me, a Notary Public in and for said County and State, personally came Tom Strotman, Treasurer of BUCKLEY PROPERTIES CO., Licensee in the foregoing License Agreement, and acknowledged the signing thereof to be his free and voluntary act and deed on behalf of said Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year aforesaid.

_____
Notary Public

EXHIBIT A

EXHIBIT 10.43

January 9, 2006

Via Facsimile

CECO Environmental Corp.
CECO Group, Inc.
CECO Filters, Inc.
New Busch Co., Inc.
The Kirk & Blum Manufacturing Company
KBD/Technic, Inc.
CECOaire, Inc.
CECO Abatement Systems, Inc.
3120 Forrer Street
Cincinnati, Ohio 45209
Ann: Mr. Richard J. Blum, President

Re: Credit Agreement dated as of December 29, 2005 (the "Credit Agreement") among CECO Environmental Corp., CECO Group, Inc., and their respective subsidiaries which are Borrowers thereunder: CECO Filters, Inc., New Busch Co., Inc., The Kirk & Blum Manufacturing Company, KBD/Technic, Inc., CECOaire, Inc. and CECO Abatement Systems, Inc. (collectively, the "Borrowers") and Fifth Third Bank ("Lender") (capitalized terms used, but not defined, in this letter will have the meanings given to them in the Credit Agreement).

Dear Mr. Blum:

Lender has been advised that, in connection with the exercise ("Warrant Exercise") of certain warrants issued to Phillip DeZwirek to purchase the capital stock of CECO Environmental Corp. (the "Company"), the Company will receive net cash proceeds in the aggregate approximate amount of $1,700,000 (the "Proceeds"). Lender has been further advised that the Company desires to use the Proceeds to pay accrued and unpaid interest on and/or principal of ("CECO Note Payment") any or all of the following Indebtedness (collectively, the "CECO Parent Notes") evidenced by that certain: (i) Fourth Amended and Restated Replacement Promissory Note, dated December 29, 2005, from the Company to Green Diamond in the original principal amount of $5,441,315, (ii) Second Amended and Restated Replacement Promissory Note, dated December 29, 2005, from the Company to Green Diamond in the original principal amount of $1,290,477, (iii) Amended and Restated Replacement Promissory Note, dated May 1, 2001, in the original principal amount of $500,000 from the Company to Mr. Sandler, and (iv) Second Amended and Restated Replacement Promissory Note, dated May 28, 2002, in the original principal amount of $500,000 from the Company to ICS. Borrowers represent to Lender that no Event of Default, and no event which could become an Event of Default with the passage of time or the giving of notice, or both, under the Credit Agreement or the other Loan Documents exists on the date hereof or will be created by the transactions contemplated hereby.

Lender hereby consents, without representation, warranty or recourse and upon the conditions hereof, to the application of the Proceeds as a CECO Note Payment on the CECO Parent Notes. Notwithstanding anything to the contrary in the foregoing, Lender's consent to the application of the Proceeds as a CECO Note Payment on the CECO Parent Notes, all as contemplated herein, is expressly

conditioned upon (i) the Proceeds being first deposited by the Company into the Company's Scotiabank account and then used to make the CECO Note Payment on the CECO Parent Notes out of those same funds in that Scotiabank account, (ii) the Proceeds from the Warrant Exercise receiving accounting treatment as equity in the Company, (iii) any Proceeds remaining after making the CECO Note Payment being contributed by the Company into Borrowers to be used by them to pay down the Revolving Loans, and (iv) the Company's providing to Lender an allocation of principal and interest paid on the CECO Parent Notes (by promissory note).

Under no circumstances should this letter be interpreted to constitute or be deemed to be a modification or amendment of the Credit Agreement or of any other Loan Document or any commitment by Lender to provide any future consent to the Company, Group or Borrowers.

This letter may be signed by facsimile signatures or other electronic delivery of an image file reflecting the execution hereof, and, if so signed: (i) may be relied on by each party as if the document were a manually signed original and (ii) will be binding on each party for all purposes.

FIFTH THIRD BANK

By: /s/ Donald K. Mitchell
Donald K. Mitchell, Vice President

Accepted and Agreed to as of January 9, 2006:

CECO ENVIRONMENTAL CORP.

By: _____

Name: _____

Title: _____

CECO GROUP, INC.

By: _____

Name: _____

Title: _____

CECO FILTERS, INC.

By: _____

Name: _____

Title: _____

NEW BUSH CO., INC.

By: _____

Name: _____

Title: _____

THE KIRK & BLUM MANUFACTURING COMPANY

By: _____

Name: _____

Title: _____

KBD/TECHNIC, INC

By: _____

Name: _____

Title: _____

CECOAIRE, INC.

By: _____

Name: _____

Title: _____

CECO ABATEMENT SYSTEMS, INC.

By: _____

Name: _____

Title: _____

Consented to as of January 9, 2006:

_____

Phillip DeZwirek

EXHIBIT 10.45

FIRST AMENDMENT TO PURCHASE AGREEMENT

This First Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller each desire to enter into this Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement is amended by deleting the date "November 15, 2005" and replacing it with the date "November 30, 2005", and any reference to "Closing" or "date of Closing" shall mean November 30, 2005.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through November 30, 2005.

4. Except as amended, modified or altered hereby, the Purchase Agreement is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this 14th day of November, 2005.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

EXHIBIT 10.46

SECOND AMENDMENT TO PURCHASE AGREEMENT

This Second Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller heretofore amended the Purchase Agreement by written amendment dated November 15, 2005; and

D. Purchaser and Seller each desire to enter into this Second Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement as previously amended is further amended by deleting the date "November 30, 2005" and replacing it with the date "December 19, 2005", and any reference to "Closing" or "date of Closing" shall mean December 19, 2005.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through December 19, 2005.

4. Except as further amended, modified or altered hereby, the Purchase Agreement as heretofore amended is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this 30th day of November, 2005.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

EXHIBIT 10.47

THIRD AMENDMENT TO PURCHASE AGREEMENT

This Third Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller heretofore amended the Purchase Agreement by written amendments dated November 15, 2005 and November 30, 2005; and

D. Purchaser and Seller each desire to enter into this Third Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement as previously amended is further amended by deleting the date "December 19, 2005" and replacing it with the date "January 20, 2006", and any reference to "Closing" or "date of Closing" shall mean January 20, 2006.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through January 20, 2006.

4. Except as further amended, modified or altered hereby, the Purchase Agreement as heretofore amended is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this /15th/ day of December, 2005.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

EXHIBIT 10.48

FOURTH AMENDMENT TO PURCHASE AGREEMENT

This Fourth Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller heretofore amended the Purchase Agreement by written amendments dated November 15, 2005, November 30, 2005 and December 15, 2005; and

D. Purchaser and Seller each desire to enter into this Fourth Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement as previously amended is further amended by deleting the date "January 20, 2006" and replacing it with the date "February 3, 2006", and any reference to "Closing" or "date of Closing" shall mean February 3, 2006.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through February 3, 2006.

4. Except as further amended, modified or altered hereby, the Purchase Agreement as heretofore amended is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this /13th/ day of January, 2006.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

EXHIBIT 10.49

FIFTH AMENDMENT TO PURCHASE AGREEMENT

This Fifth Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller heretofore amended the Purchase Agreement by written amendments dated November 15, 2005, November 30, 2005, December 15, 2005 and January 13, 2006; and

D. Purchaser and Seller each desire to enter into this Fifth Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement as previously amended is further amended by deleting the date "February 3, 2006" and replacing it with the date "February 17, 2006", and any reference to "Closing" or "date of Closing" shall mean February 17, 2006.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through February 17, 2006.

4. Except as further amended, modified or altered hereby, the Purchase Agreement as heretofore amended is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this /1st/ day of February, 2006.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

EXHIBIT 10.50

SIXTH AMENDMENT TO PURCHASE AGREEMENT

This Sixth Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller heretofore amended the Purchase Agreement by written amendments dated November 15, 2005, November 30, 2005, December 15, 2005, January 13, 2006 and February 1, 2006; and

D. Purchaser and Seller each desire to enter into this Sixth Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement as previously amended is further amended by deleting the date "February 17, 2006" and replacing it with the date "March 10, 2006", and any reference to "Closing" or "date of Closing" shall mean March 10, 2006.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through March 10, 2006.

4. Except as further amended, modified or altered hereby, the Purchase Agreement as heretofore amended is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this /15th/ day of February, 2006.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

EXHIBIT 10.51

SEVENTH AMENDMENT TO PURCHASE AGREEMENT

This Seventh Amendment to Purchase Agreement ("Amendment") is made by and between the Kirk & Blum Manufacturing Company ("Purchaser") and Buckley Properties Co. ("Seller") under the following circumstances:

A. Purchase and Seller are parties to that certain Purchase Agreement dated September 6, 2005 ("Purchase Agreement") pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, certain real property more particularly described in the Purchase Agreement, all upon the terms and conditions contained therein;

B. Pursuant to Section 8(d) through (h) of the Purchase Agreement, Purchaser's obligation to close the transaction contemplated by the Purchase Agreement is subject to certain contingencies, none of which have occurred; and

C. Purchaser and Seller heretofore amended the Purchase Agreement by written amendments dated November 15, 2005, November 30, 2005, December 15, 2005, January 13, 2006, February 1, 2006 and February 15, 2006; and

D. Purchaser and Seller each desire to enter into this Seventh Amendment to extend the period of time within which Purchaser may satisfy the contingencies contained in Section 8(d) through (h) of the Purchase Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchase and Seller hereby agree as follows:

1. Purchaser waives the contingencies contained in Sections 8(a), (b), and (c) of the Purchase Agreement, provided Seller cures Purchaser's objections contained in Purchaser's correspondence dated October 20, 2005 and October 21, 2005 to Purchaser's sole satisfaction.

2. Section 4(a) of the Purchase Agreement as previously amended is further amended by deleting the date "March 10, 2006" and replacing it with the date "March 29, 2006", and any reference to "Closing" or "date of Closing" shall mean March 29, 2006.

3. The period of time in which Seller has to notify Purchaser of which matters it will cure and how of those previously objected to by Purchaser following the Inspection Period, as set forth in the subject Agreement, is hereby further extended through March 29, 2006.

4. Except as further amended, modified or altered hereby, the Purchase Agreement as heretofore amended is not otherwise amended, modified or altered, and each of the parties hereto ratifies, affirms and confirms each and every provision of the Purchase Agreement, as amended hereby.

Dated this /8th/ day of March, 2006.

PURCHASER:

The Kirk & Blum Manufacturing Company

By: /s/ L. John Bertoli, III
L. John Bertoli, III, Vice President

SELLER:

Buckley Properties Co.

By: /s/ Thomas Strotman
Tom Strotman, Treasurer

CECO ENVIRONMENTAL CORP.

CODE OF ETHICS

Purpose and Scope

CECO Environmental Corp. (the "Company") is committed to conducting its business in compliance with applicable laws, rules and regulations and in accordance with the highest ethical standards of business conduct. All of the Company's employees are expected to conduct their activities and the operations for which they are responsible in accordance with such standards.

Additionally, this Code of Ethics is established in order to comply with Section 406 of the Sarbanes-Oxley Act of 2002, related rules promulgated by the Securities and Exchange Commission ("SEC") and the listing standards for Nasdaq listed companies.

This Code applies to all of our directors, officers, employees and agents, wherever they are located and whether they work for the Company on a full or part-time basis. In addition, certain provisions specifically apply to the Company's principal executive officer and to the Company's principal financial officer, principal accounting officer or controller, or persons performing similar functions (the "406 Officers"). We refer to all persons covered by this Code, including the 406 Officers, as "employees."

This Code contains general guidelines for conducting the business of the Company. This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face.

If you have questions about the laws governing your activities on behalf of the Company, please talk to your supervisor or David Blum, Senior Vice President of the Company (the "Compliance Officer").

Conflicts of Interest

A conflict of interest occurs when an employee's private interests interfere, or appear to interfere, with the interests of the Company as a whole. It is important for all employees to avoid not only conflicts of interest, but also the appearance of a conflict of interest.

If a potential conflict of interest in the affairs of any employee either exists currently or arises in the future, it is the individual's responsibility to report details of the situation at once in order that the facts may be properly evaluated and a decision made as to what, if any, action should be taken in connection with the matter. Should there be a question as to whether a conflict in fact exists, any doubt should be resolved in favor of assuming that there is a potential conflict and the circumstances must then be reported in writing to the Compliance Officer.

Examples of potential conflicts of interest include accepting concurrent employment with, or acting as a consultant or contractor to, any Company competitor, customer or supplier; serving on the board of directors or technical advisory board of another entity; or holding a significant financial interest in any competitor, customer or supplier of the Company.

Although not exhaustive, conflicts of interest commonly arise in the following situations:

1. When an employee or a relative has a significant direct or indirect financial interest in, or obligation to, an actual or potential competitor, supplier or customer of the Company;
2. When an employee has a significant personal relationship (such as a family relationship) with a competitor, supplier or customer of the Company;
3. When an employee conducts business on behalf of the Company with a supplier or customer when a relative is an employee, principal, officer or representative of such supplier or customer;
4. When an employee, relative or agent of an employee accepts gifts of more than nominal value or excessive entertainment from a current or potential competitor, supplier or customer (please see “Gifts and Gratuities” below for additional guidelines); and
5. When an employee misuses the information obtained in the course of his or her employment.

It is recognized, however, that directors of Company and any of its subsidiaries who are not employees may engage in outside activities with, or have duties to, other entities, as employees, directors, consultants or otherwise. Such activities and duties generally do not in and of themselves constitute a conflict of interest, and in fact are valuable to the Company because of the experience and perspective that outside directors offer to the Company as a result of these activities. Directors are expected to exercise sound judgment with respect to the relationship between their outside activities and their responsibilities to the Company, and at all times to act in a manner consistent with their duties of care and loyalty, as well as other applicable legal standards governing the responsibilities of directors. Directors should err on the side of caution in disclosing to the Board relationships that may constitute, or may appear to constitute, an actual or potential conflict of interest, and may be required to abstain from involvement as a Board member or as an employee, director, consultant or other affiliation with another entity, in a particular matter. Outside directors also should fully disclose their relationship with the Company to other entities with whom they have a relationship.

The Company’s business must be kept separate and apart from the personal activities of its employees. Employee participation in outside activities must not be presented in a manner as to appear that the Company is endorsing the activity. Company personnel and assets are to be used solely for the business purposes of the Company. An employee must not use the Company’s

corporate name, any trademark owned or associated with the Company, any Company letterhead, or any Company property, confidential information, resources, supplies or assets for personal purposes.

Compliance with Corporate Policies and Applicable Laws and Regulations

Each employee is expected to comply with both the spirit and letter of all of the Company's corporate policies and all applicable governmental laws, rules and regulations.

Gifts and Gratuities

Appropriate business gifts and entertainment are courtesies designed to build relationships and understanding among business partners. However, common sense and good judgment should always be exercised in providing or accepting business meals, entertainment or nominal gifts. While individual circumstances differ, the overriding principle concerning gratuities is not to give or accept anything of value that could be perceived as creating an obligation on the part of the recipient to act other than in the best interests of his or her employer or otherwise taint the objectivity of the individual's involvement. It is the employee's responsibility to use good judgment in this area. All gifts and entertainment expenses must be properly accounted for on expense reports.

Use of Company Resources / Computer E-Mail

Company resources, including time, materials, equipment and information, are provided for Company business use. Employees are trusted to use good judgment to conserve Company resources. Personal use of Company resources is inappropriate. In no event may an employee use Company funds or assets for an unlawful purpose.

The Company's computer resources, which include the electronic mail system, are not intended to be used for amusement, solicitation or other non-business purposes. E-mail messages should be treated as any other written business communication. The Company may monitor employees' e-mail and other computer use.

Confidential Information

Employees may from time to time have access to confidential or proprietary information (which includes any non-public information, whether of a business, financial, personnel, technological or commercial nature) of the Company or third parties, such as customers and suppliers of the Company, that an employee has learned, generated or acquired. Each employee has a fiduciary and a legal obligation to the Company and such third parties to treat such information in confidence and not to disclose it to any other party or use it, directly or indirectly, for one's own purpose, whether during or after employment with the Company.

Insider Trading

The Company's employees are prohibited from engaging in "insider trading." Prohibitions are based on federal securities laws and deal with the possession and use of "material" information.

Employees who have material non-public information about the Company or other companies as a result of their Company connections are prohibited from trading in securities of those Companies, as well as from communicating such information to family or friends. “Material” information is information that might affect a reasonable investor’s decision to purchase or sell a security. “Non-public” information is information that is not available to the general public.

Supplementary Ethical Standards of Conduct For 406 Officers

The 406 Officers are expected to abide by the following tenets in addition to the rest of this Code. Each 406 Officer will:

- Act with honesty and integrity and in an ethical manner, avoiding actual or apparent conflicts of interest in their personal and professional relationships;
- Provide shareholders with information that is accurate, complete, objective, fair, relevant, timely and understandable, including in Company filings with and other submissions to the SEC;
- Comply with rules and regulations of federal, state, applicable and local governments, and other appropriate private and public regulatory agencies;
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one’s independent judgment to be subordinated;
- Respect the confidentiality of information acquired in the Company’s business except when authorized or otherwise legally obligated to disclose such information;
- Not use confidential information acquired in the course of performance of one’s duties to the Company for personal advantage;
- Achieve responsible use of and control over all Company assets and resources that are employed or entrusted to us;
- Not unduly or fraudulently influence, coerce, manipulate or mislead any authorized audit or interfere with any auditor engaged in the performance of an internal or independent audit of the Company’s financial statements or accounting books and records;
- Promptly report to the Compliance Officer or a member of the Audit Committee any known or suspected violation of this Code or other Company policies or guidelines. Failure of the 406 Officers to comply with this Code will not be tolerated by the Company. Any deviations therefrom or violations hereof will result in serious consequences, which may include, but may not be limited to, serious reprimand, dismissal or other legal actions.

Administration of the Code of Ethics

This Code shall be administered as follows:

1. **Responsibility for Administration**

The Board or the Audit Committee, to the extent empowered by the Board (the “Administrator”), shall be responsible for interpreting and administering this Code. In discharging its responsibilities, the Administrator may engage such agents and advisors as it shall deem necessary or desirable, including but not limited to, attorneys and accountants.

The Compliance Officer is David Blum. David Blum is the Senior Vice President of the Company.

2. **Procedure for Reporting Violations of the Code**

If you suspect any activity or conduct to be in violation of this Code or any applicable corporate policies, governmental laws, rules or regulations, you should immediately report the circumstances to your supervisor or the Compliance Officer, or if you are a 406 Officer, immediately report the circumstances to the Compliance Officer or a member of the Audit Committee.

3. **Confidentiality and Policy Against Retaliation**

All questions and reports of known or suspected violations of the law or this Code will be treated with sensitivity and discretion. Reports of unethical or illegal conduct shall be promptly investigated by the Administrator. The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. Retaliation in any form against an individual who reports a suspected violation in good faith, even if the report is mistaken, or who assists in the investigation of a reported violation, is strictly prohibited. Any act or threatened act of retaliation should be reported immediately to the Compliance Officer.

4. **Waivers of the Code and Disclosures**

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code for employees (other than 406 Officers) may be made only by an executive officer of the Company with the concurrence of the Compliance Officer or the Administrator. Any waiver of this Code for our directors, executive officers or other principal officers, including the 406 Officers, may be made only by our Board of Directors and will be promptly disclosed to the public as required by applicable laws, rules or regulations.

5. **Compliance and Violations**

All Company employees are expected to comply fully with this Code. The Administrator shall enforce this Code through appropriate disciplinary actions. The Administrator shall determine whether violations of this Code have occurred and, if so, shall determine the disciplinary actions to be taken against any individual who has violated this Code.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including potential termination of employment, determined based upon the facts and circumstances of each particular situation. The disciplinary actions available to the Administrator include counseling, oral or written reprimands, warnings, probations or suspensions (with or without pay), demotions, reductions in salary, terminations of employment and restitution.

Nothing in this Code prohibits or restricts the Company from taking disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in this Code. This Code is not intended to create any expressed or implied contract with any employee or third party. In particular, nothing in this Code creates any employment contract between the Company and any employee.

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

CECO Group, Inc.	(Delaware)
CECO Filters, Inc.	(Delaware, subsidiary of CECO Group, Inc.)
CECO Abatement Systems, Inc.	(Delaware, subsidiary of CECO Group, Inc.)
H.M. White, Inc. (f/k/a CECO Energy, Inc.)	(Delaware, subsidiary of CECO Group, Inc.)
CECOaire, Inc.	(Delaware, subsidiary of CECO Group, Inc.)
The Kirk & Blum Manufacturing Company	(Ohio, subsidiary of CECO Group, Inc.)
kbd/Technic, Inc.	(Indiana, subsidiary of CECO Group, Inc.)
CECO Filters India Pvt. Ltd.	(India, subsidiary of CECO Filters, Inc.)
New Busch Co., Inc.	(Delaware, subsidiary of CECO Filters, Inc.)

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION
BY CHIEF EXECUTIVE OFFICER

I, Phillip DeZwirek, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2005, of CECO Environmental Corp.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Phillip DeZwirek

Phillip DeZwirek
Chairman of the Board and
Chief Executive Officer
March 30, 2006

EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION
BY CHIEF FINANCIAL OFFICER

I, Dennis W. Blazer, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2005, of CECO Environmental Corp.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Dennis W. Blazer

Dennis W. Blazer
Vice President - Finance and Administration and
Chief Financial Officer
March 30, 2006

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CECO Environmental Corp. (the "Company") on Form 10-K for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip DeZwirek, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Phillip DeZwirek

Phillip DeZwirek
Chairman of the Board and
Chief Executive Officer
March 30, 2006

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CECO Environmental Corp. (the "Company") on Form 10-K for the period ending December 31, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis W. Blazer, Vice President-Finance and Administration and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dennis W. Blazer

Dennis W. Blazer
Vice President-Finance and Administration and
Chief Financial Officer
March 30, 2006