
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report

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

Date of Report (Date of earliest event reported): 01/04/2007

CECO ENVIRONMENTAL CORP

(Exact name of registrant as specified in its charter)

Commission File Number: 0-7099

DE
(State or other jurisdiction of
incorporation)

13-2566064
(IRS Employer
Identification No.)

3120 Forrer Street, Cincinnati, OH 45209
(Address of principal executive offices, including zip code)

(416) 593-6543
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events

On January 4, 2007, CECO Environmental Corp. ("CECO") entered into a Non-binding Letter of Intent ("LOI") for a proposed transaction with Effox, Inc. ("Effox"). The LOI contemplates the purchase by CECO of the damper and expansion joint design, manufacture and installation business and operations of Effox for a purchase price of \$7.5 million, adjusted as described below, plus a three year earn out payment. The earn out payment is not to exceed \$1.0 million and is based on the cumulative amount by which annual fiscal year gross profits of the purchased operations of Effox exceeds \$7.0 million per year, commencing on the beginning of the month next succeeding the date of closing. The purchase price will be either (i) increased by an amount which the Net Operating Asset Value (as defined in the LOI) exceeds \$3,000,000 on the date of closing or (ii) decreased by the amount by which \$3,000,000 exceed the Net Operating Asset Value as of the date of closing.

The parties intend to sign a definitive acquisition agreement and close the purchase transaction as soon as practicable and have agreed to use their best efforts to close by January 31, 2007.

Effox has agreed to deal exclusively with CECO until closing of the transaction, provided that either party may terminate the exclusivity period if the other party either (i) proposes any change to the material terms of the purchase as set forth in the LOI or (ii) ceases to actively negotiate the purchase in good faith on the terms set forth in the LOI.

CECO is in the process of conducting its due diligence with respect to the proposed transaction. The contemplated transaction is subject to CECO's satisfactory completion of its due diligence investigation and the parties agreeing to, executing and delivering definitive agreements necessary to consummate the proposed transactions.

The description set forth herein of the terms and conditions of the LOI is qualified in its entirety by reference to the full text of the LOI, which is filed with this report as Exhibit 99.1 and incorporated herein by reference.

On January 9, 2007, CECO issued a press release announcing the LOI. A copy of the press release is attached hereto as Exhibit 99.2 and incorporated herein by reference.

This report contains statements about the future, sometimes referred to as "forward-looking" statements. Forward-looking statements are typically identified by the use of the words, "believe," "may," "should," "expect," "anticipate," "estimate" "project," "propose," "plan," "intend," and similar words and expressions. Forward-looking statements are not guarantees of completion of proposed transactions, availability of tax-free treatment, or similar matters. Forward-looking statements are subject to risks and uncertainties outside CECO's control. Actual events or results may differ materially from the forward-looking statements. For a discussion of additional contingencies and uncertainties to which information respecting future events is subject, see CECO's other SEC reports.

Item 9.01. Financial Statements and Exhibits

- 99.1 Non-binding Letter of Intent
- 99.2 Press Release

Signature(s)

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

CECO ENVIRONMENTAL CORP

Date: January 09, 2007

By: /s/ Dennis W. Blazer

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

Exhibit Index

Exhibit No.	Description
EX-99.1	Non-Binding Letter of Intent
EX-99.2	Press Release

CECO Environmental

January 4, 2007

Effox, Inc.

c/o Robert H. Shortle and Christopher M. Caniff

Managing Directors

Periculum Capital Company, LLC

111 Monument Circle, Suite 1022

Indianapolis, IN 46201-5176

Fax: (317) 636-1801

Re: Effox, Inc.

Dear Messrs. Shortle and Caniff:

This letter is a letter of intent of CECO Environmental Corp. ("CECO" or the "Purchaser") with respect to acquiring the damper and expansion joint design, manufacture and installation business and operations (collectively, the "Business") of Effox, Inc. ("Effox" or the "Company"), upon the general terms and conditions set forth in this letter. We understand that you are the exclusive authorized agent for the Company in connection with its potential sale and will forward this letter to the Company for its consideration and acknowledgment.

1. Proposed Acquisition. CECO is interested in acquiring the Business (the "Acquisition") for: (a) a fixed purchase price of \$7.5 million to be paid in cash upon closing; (b) plus the amount, if any, by which the Net Operating Asset Value, as defined below, exceeds \$3,000,000 at the closing of the Acquisition (the "Closing") or, minus the amount, if any, by which \$3,000,000 exceeds the Net Operating Asset Value at the Closing, as the case may be (the "Net Operating Asset Adjustment"); and (c) plus an earnout (the "Earnout"), to the extent earned during the three year period following closing, as provided below. The Net Operating Asset Adjustment shall be payable within 45 days following the Closing, subject to audit and dispute resolution procedures to be agreed upon in the Acquisition Agreement, as defined in Section 2 below. The Earnout shall be: (i) an amount (not to exceed \$1,000,000 in the aggregate) equal to the cumulative amount by which annual fiscal year gross profit of the Business, as defined below, exceeds \$7.0 million per year with the first such period commencing at the beginning of the month next succeeding the Closing; and (ii) payable on or before the end of the third calendar month following the applicable 12-month period of measurement (subject to audit and dispute resolution procedures to be agreed upon in the Acquisition Agreement) (with any partial year being subject to proration); provided, however, that in no event shall any portion of the previously paid Earnout be subject to return in the event that subsequent annual fiscal year gross profit falls below \$7.0 million. For purposes hereof: (A) the term "Net Operating Asset Value" means Tangible Asset Value, as defined below, less Operating Liabilities, as defined below, calculated as reflected on Exhibit A attached hereto; (B) "Gross Profit" means the aggregate gross profits of the Business, calculated in the same manner as is reflected as "Gross Profit" in the Company's regularly prepared, audited income statements; (C) "Tangible Asset Value" means (x) all of the Company's current assets, excluding cash, as reflected on Exhibit A hereto; and (y) all of the Company's fixed assets, as reflected on Exhibit A hereto; and (D) "Operating Liabilities" means the Company's operating liabilities as reflected on Exhibit A hereto, operating leases and capital leases. The exact form of the Acquisition will be determined as part of the negotiations between the parties in entering into the Acquisition Agreement. If the form of the Acquisition is an asset purchase transaction, Purchaser will expressly assume the Operating Liabilities which are outstanding as of the Closing. If the form of the transaction is a stock purchase or merger transaction, then the Operating Liabilities will remain outstanding as of the Closing and shall not be satisfied out of or otherwise reduce the cash proceeds of the transaction (except to the extent they would result in a negative Net Operating Asset Adjustment).

2. Acquisition Agreement. The parties will negotiate the terms of a definitive agreement or agreements to effectuate the Acquisition (the "Acquisition Agreement"). The Acquisition Agreement will be in a form customary for transactions of this type, will be mutually acceptable to the parties, and will include, in addition to the terms set forth in this letter, representations and warranties, covenants, conditions to closing and other matters customary in agreements of this type. The parties intend to execute such Acquisition Agreement and close the purchase transaction as soon as practicable and will make their best effort to close by January 31, 2007.

3. Purchaser Investigation. Following the execution of this letter and until the expiration of the Exclusivity Period (as defined below) or such later date as the parties may agree in writing, the Purchaser shall perform a due diligence review of the legal, business and financial condition of the Company. The Company and its principals (the "Principals") will extend their full cooperation to Purchaser and the Purchaser's lawyers, independent accountants, financial advisors and representatives in connection with such investigation. The Purchaser and its lawyers, independent accountants, financial advisors and representatives shall have full access to the books and records, contracts, documents, properties, facilities, independent accountants, representatives, advisors

and key employees of the Company for the purpose of conducting such investigation. Any due diligence shall (a) be arranged and coordinated with, and shall be subject to the direction and control of, Periculum Capital Company, (b) take into account the need for confidentiality among specified employees of the Company, and (c) be undertaken so as to not unreasonably interfere with the operation of the Business.

4. Public Announcements. A party will not (and will direct its representatives not to) disclose to any person either the fact that a due diligence investigation, discussions or negotiations are taking place concerning a possible transaction between the Company and the Purchaser or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof, unless that party advises and consults with the other party and the other party's counsel prior to such disclosure.

5. Exclusivity. In consideration of the Purchaser incurring the expenses of professional advisors and attorneys and the commitment of personnel and resources for the purpose of a potential acquisition of the Company, the Company agrees not to, and agrees to use its reasonable best efforts to cause its representatives or stockholders not to, negotiate with, consider, entertain or solicit inquiries with respect to, or execute any agreements of any nature whatsoever with, any party other than the Purchaser with respect to any merger, sale of substantial assets or similar transactions involving the Company or any of its subsidiaries or sale of any capital stock or other securities of the Company or any of its subsidiaries or any rights to acquire any such capital stock or other securities prior to the Closing or termination as described below (the "Exclusivity Period"). For the avoidance of doubt, the foregoing shall not prohibit the Company from negotiating or effecting any refinancing transaction; provided however that any such refinancing transaction does not materially adversely affect purchaser's ability to complete the Acquisition. Notwithstanding the foregoing, the Exclusivity Period shall automatically terminate upon written notice by one party for any reason after February 28, 2007, or in the interim if the other party either (a) proposes any change to the material terms of the Acquisition as described herein which proposed change would be adverse to the party which did not propose such change or (b) ceases to actively negotiate the Acquisition in good faith on the terms set forth herein.

6. Binding Effect; Termination. Except for Sections 3 through 10, which are intended to be binding, nothing in this letter constitutes a binding legal obligation on any party but is merely an expression of intent with respect to a possible transaction as described herein, and no other binding agreement of any kind will be deemed to exist between the parties unless and until an Acquisition Agreement is executed. This letter of intent will terminate at the expiration of the Exclusivity Period, except that Section 4 will remain in effect for twelve months following the acknowledgment of this letter by the Company.

7. Expenses. Each party shall bear its own expenses and costs of the transaction contemplated hereby, including, but not limited to, the fees of attorneys and financial advisors. The Purchaser shall not be responsible for the fees and expenses of Periculum Capital Company.

8. Governing Law. This letter shall be governed by and construed in accordance with the laws of the State of Ohio without giving effect to any conflicts of law principles thereof.

9. Counterparts. This letter may be executed in counterparts, and by facsimile each of which shall be an original and all of which together shall constitute one and the same agreement.

10. Entire Understanding. This letter constitutes the entire understanding of the parties hereto with respect to the matter set forth herein and supersedes any and all prior letters or understandings among the parties with respect to the subject matter contained herein, provided that the Confidentiality Agreement, dated July 18, 2006, between the parties shall remain in full force and effect in accordance with its terms.

Please indicate your acceptance of and agreement to the above terms by signing this letter where indicated below and promptly returning the same to the Purchaser by 5:00 p.m., Cincinnati, Ohio time, on January 4, 2007.

Very truly yours,

/s/ Dennis W. Blazer

Dennis W. Blazer

VP Finance/Admin. & CFO

CECO Environmental Corp.

ACCEPTED this /4th/ day of

January 2007

Effox, Inc.

By:/s/David K. Robinson

Name: /s/David K. Robinson

Title: /s/ CEO

Exhibit A

Net Operating Asset Calculation

Tangible Assets

1100.00.00 Accounts Receivable-Trade-US

1105.00.00 Accounts Receivable-Retainage

1110.00.00 Accounts Receivable-Trade-International

1120.00.00 Accounts Receivable-Other

1190.00.00 Allowance for Bad Debts

1200.00.00 Inventory

1250.00.00 Work in Progress

1290.00.00 Inventory Reserve

1295.00.00 Cycle Count Adjustments

1350.00.00 Prepaid Expenses

1355.00.00 Prepaid Insurance
1500.00.00 Machinery & Equipment
 1520.00.00 Automobiles
 1600.00.00 Furniture and Fixtures
1610.00.00 Computer Equipment and Software
1615.00.00 Leased Computer Equipment and Software
 1620.00.00 Leasehold Improvements
 1690.00.00 Depreciation
 Tangible Asset Value
 Operating Liabilities
2000.00.00 Trade Accounts Payable
2050.00.00 Accrued Accounts Payable
 2075.00.00 Vouchers Payable
2200.00.00 Accrued Medical Expenses
2210.00.00 Accrued Personal Property Taxes
2220.00.00 Accrued Real Estate Taxes
 2290.00.00 Accrued Other
2300.00.00 Accrued Accounting Fees
 2320.00.00 Accrued Trade Shows
 2330.00.00 Accrued Advertising
 2340.00.00 Accrued Sales Tax
2400.00.00 Accrued Freight Out
 2500.00.00 Accrued Payroll
2510.00.00 Accrued Garnishments
 2520.00.00 Accrued 401K
 2530.00.00 Accrued Dental
 2540.00.00 Accrued FSA
2550.00.00 Accrued Employment Tax
2560.00.00 Accrued FICA/Withholding Taxes
2570.00.00 Accrued State Withholding Taxes
2580.00.00 Accrued Workers Compensation
2600.00.00 Accrued Warranty Expense
 2830.00.00 Advanced Payments
2121.00.00 Current Portion of Leases
2870.00.00 Long Term Obligations Payable
 Operating Liability Value

**CECO ENVIRONMENTAL SIGNS LETTER OF INTENT
TO ACQUIRE EFFOX, INC.**

NEW YORK, January 9, 2007 -- CECO Environmental Corp. (NASDAQ: CECE), a leading provider of air pollution control and industrial ventilation systems, announced today that it has signed a letter of intent to acquire Efofx, Inc. Efofx, located in Cincinnati, Ohio, engineers and manufactures dampers and expansion joints for use in flue gas and process air handling systems and is a leading provider of equipment to the power industry. Efofx also provides design, rebuilding and repair services for a variety of existing industrial systems.

Rick Blum, President and Chief Operating Officer, stated, "Efofx is a company with which we have had a relationship, both as a customer and a supplier, for many years. We feel that the familiarity between our companies will make the transition of Efofx into the CECO Environmental family a smooth one."

Phillip DeZwirek, Chairman and CEO of CECO stated, "The acquisition of Efofx will continue the execution of our "horizontal integration" strategy with Efofx broadening our exposure to the multi billion dollar power market. Efofx will join CECO Filters, CECOaire, CECO Abatement, and Busch International as part of our Equipment Group."

ABOUT CECO ENVIRONMENTAL

CECO Environmental Corp. is North America's largest independent air pollution control company. Through its seven subsidiaries -- Busch, CECOaire, CECO Filters, CECO Abatement Systems, kbd/Technic, Kirk & Blum and H. M. White, Inc. -- CECO provides a wide spectrum of air quality services and products including: industrial air filters, environmental maintenance, monitoring and management services, and air quality improvement systems. CECO is a full-service provider to the steel, military, aluminum, automotive, ethanol, aerospace, semiconductor, chemical, cement, metalworking, glass, foundry and virtually all industrial process industries.

For more information on CECO Environmental please visit the company's website at:

<http://www.cecoenviro.com/>

Contact:

Corporate Information

Phillip DeZwirek, CECO Environmental Corp.

Email: investors@cecoenviro.com

1-800-606-CECO (2326)

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All forward-looking statements are subject to certain risks, uncertainties and assumptions. These risks and uncertainties, which are more fully described in CECO's Annual and Quarterly Reports filed with the Securities and Exchange Commission, include changes in market conditions in the industries in which the Company operates. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may vary in material aspects from those currently anticipated.