U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-KSB

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

Annual Report Pursuant to Section 13 or 15(a) of the Securities Act of 1934 for the fiscal year ended December 31, 2000

Commission File No. 0-7099

CECO ENVIRONMENTAL CORP.
(Exact Name of Registrant as Specified in Its Charter)

New York	13-2566064
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

505 University Avenue, Suite 1400 Toronto, Ontario CANADA	M5G 1X3
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code:(416) 593-6543

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

Securities registered under Section (g) of the Act:

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

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]

Issuer's Revenues for its most recent fiscal year: $89,816,829.

Aggregate market value of voting stock held by non-affiliates of registrant (based on the last sale price on March 19, 2001): $7,470,060

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 7,875,872 shares of common stock, par value $0.01 per share, as of March 19, 2001.

PART I

Item 1. Business

CECO Environmental Corp. (the "Company") was incorporated in New York State in 1966. The Company owns 100% of the stock of CECO Group, Inc. ("CECO Group"). CECO Group owns 100% of the stock of The Kirk & Blum Manufacturing Company ("Kirk & Blum"), and 93.8% of the common stock of CECO Filters, Inc., a Delaware corporation ("Filters"), and beneficially owns 100% of the stock of kbd/Technic, Inc. The Company operates through its wholly owned subsidiary, CECO Group.

During the 1999 fiscal year, the Company underwent a fundamental transformation. With the acquisition of Kirk & Blum and kbd/Technic, Inc. ("kbd/Technic") on December 7, 1999, the size of the business and the focus of the Company was fundamentally changed. With the addition of Kirk & Blum, 89.2% of whose net sales arose from the fabrication and installation of industrial ventilation, dust, fume and mist control systems in 1999, the Company added a new dimension to its product line that broadened its coverage of air pollution control technology. In 1999, Kirk & Blum and kbd/Technic had combined revenue of $70,435,000, while the revenue of the Company and its subsidiaries (other than Kirk & Blum and kbd/Technic, Inc.) for that period was $17,525,664. The Company now consolidates under a single organization both Kirk & Blum, kbd/Technic and Filters and its subsidiaries.

Change in Corporate Structure

As part of the acquisition of Kirk & Blum, the Company created CECO Group as a wholly owned subsidiary of the Company for the purpose of holding all the stock of its operating companies. Immediately following the acquisition of Kirk & Blum, CECO Group beneficially owned Kirk & Blum, kbd/Technic (through the voting trust referred to below) and approximately 93.8% of Filters formerly held by the Company. The other operating companies controlled by the Company, Air Purator Corporation ("APC") and New Busch Co., Inc. ("Busch"), are wholly-owned subsidiaries of Filters.

In connection with this restructuring, Richard J. Blum, the president of Kirk & Blum and the chairman of kbd/Technic, was named the president and chief executive officer of CECO Group and president of the Company. Mr. Blum's responsibilities include the overall management and direction of the various CECO operating companies, the management of Kirk & Blum and integrating the various CECO subsidiaries.

The Kirk & Blum Manufacturing Company

Kirk & Blum, with headquarters in Cincinnati, Ohio, is a leading provider of turnkey engineering, design, manufacturing and installation services in the air pollution control industry. Kirk & Blum's business is focused on designing, building, and installing systems that remove airborne contaminants from industrial facilities as well as equipment that control emissions from such facilities. Kirk & Blum serves its customers from offices and plants in Cincinnati, Ohio; Indianapolis, Indiana; Defiance, Ohio; Louisville and Lexington, Kentucky; Columbia, Tennessee; and Greensboro, North Carolina. In October 1998, Engineering News Record ranked Kirk & Blum as the largest specialty sheet metal contractor in the country. With a diversified base of more than 1,500 active customers, Kirk & Blum provides services to a number of industries including aerospace, ceramics, metalworking, printing, paper, food, foundries, metal plating, woodworking, chemicals, tobacco, glass, automotive, and pharmaceuticals.

Kirk & Blum has three lines of business, all evolving from the original air pollution systems business. The largest line of business, located in seven strategic locations, is with respect to air pollution control systems and industrial ventilation. This line of business includes fabricating, designing, engineering, and installing industrial ventilation, dust, fume, and mist control systems, as well as automotive spray booth systems, industrial and process piping, and other industrial sheet metal work. Kirk & Blum's expertise is the engineered solution of in-plant process problems with respect to controlling airborne pollutants. Well known customers include General Motors, Procter & Gamble, Ingersoll Milling Machine, Toyota, Saturn, Matsushita, and Alcoa.

Kirk & Blum also provides custom metal fabrication services at its Cincinnati, Ohio and Lexington, Kentucky locations. These operations fabricate parts, subassemblies, and customized products for air pollution and non-air pollution applications from sheet, plate, and structurals. These operations give Kirk & Blum the ability 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 in the tri-state region surrounding Cincinnati. Kirk & Blum believes that it is the fabricator of choice of product components for many companies choosing to outsource their manufacturing. Customers include Siemens Energy & Automation, Duriron and Eastman Chemical.

Kirk & Blum also manufactures component parts for industrial air systems at its Cincinnati, Ohio location. This division provides standard and custom components for contractors and companies that design and/or install their own air systems. Products include angle rings, elbows, cut-offs, and other components used in ventilation systems. Kirk & Blum's air systems parts business is well positioned to benefit from an industry movement toward outsourcing ductwork components. Major distributors of this division's products include N.B. Handy, Three States Supply, Albina Pipe Bending, and Indiana Supply.

kbd/Technic, Inc.

kbd/Technic, a sister company of Kirk & Blum, is a specialty engineering firm concentrating in industrial ventilation and dust and fume control. Services offered include air system testing and balancing, source emission testing, industrial ventilation engineering, turnkey project engineering (civil, structural and electrical), sound and vibration system engineering, and other special projects. In addition to generating service revenue, kbd/Technic often serves as a referral source for other Kirk & Blum divisions. Customers include General Motors, Ford, Baldwin Graphic Products, Emtec, and Heidelberg & Harris.

CECO Filters, Inc.

Filters is located in Conshohocken, Pennsylvania. Filters manufactures and sells industrial air filters known as fiber bed mist eliminators. The filters are used to trap, collect and remove solid soluble and liquid particulate matter suspended in an air or other gas stream whether generated in a point source emission or otherwise. The principal functions that can be performed by use of the filters are (a) the removal of damaging mists and particles (for example, 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. Filters' filters are used by, among others, the chemical and electronics industries; manufacturers of various acids, vegetable and animal based cooking oils, textile products, alkalies, chlorine, paper, computers, automobiles, asphalt, pharmaceutical products and chromic acid; electric generating facilities including cogeneration facilities; and end users of pollution control products such as incinerators.

Filters holds a US Patent for a device with the trade names of the N-SERT(R) and X-SERT(R) prefilter. This device is used to protect the filter's surface from becoming coated with insoluble solids. Field performance has demonstrated the effectiveness of this device. Filters also holds a patent for its N-ESTED(R) multiple-bed fiber bed TWIN-PAK(R) filter, which permits an increase in filter surface area of 60% or more, thus decreasing energy consumption and improving collection efficiency. The device also permits the user to increase the capacity of the emission-generating source without an energy or major modification penalty.

Filters' filters range in height from 2 to 20 feet and are typically either 16 or 24 inches in diameter. The cages used in Filters' filter assemblies may be stainless steel, carbon steel, titanium, fiberglass mesh or other specialty materials. The filter material used in approximately 75% of Filters' filters is fiberglass, which may be purchased in various grades of fiber diameter and chemical resistance depending on the specific requirements of the customer. Filter material may also be made of polyester, polypropylene or ceramic materials. Filters' filters are manufactured with different levels of efficiency in the collectibility of particulates, depending on the requirements of the customer.

Eventually, the filter material contained in Filters' filters will become saturated with insoluble solids or corroded and require replacement. The life of the filter material will be primarily dependent on the nature of the particles collected and the filtration atmosphere. Filter life generally ranges from 3 months to 15 years. The filters can be returned to Filters for replacement of the filter material, or can be replaced on-site by the customer. Filters sells replacement filter material segments with the trade name of SITE-PAK(R) for on-site installation by the customer and compressor kits to be used in connection with on-site replacement.

Filters has exclusive rights to engineer, market and sell the patented Catenary Grid(R) scrubber. This device is designed for use with heat and mass transfer operations and particulate control. Filters designs complete systems centered around these devices.

A significant portion of Filters' business consists of the sale of replacement filter material segments for its filters and for filters made by other manufacturers. The replacement process for filters made by other manufacturers involves modification of the cages to permit the insertion of replacement segments. Once modification of the cage and replacement of filter material has been completed by Filters, subsequent replacement of the filter material can be made on-site by the customer.

During 1999 and into 2000, Filters continued to implement the results of its new design strategies by utilizing standard components customized for specific customer needs. These unique designs are characterized by ease of use, flexibility in application and the ability to achieve complete product recycle when the customer's use is satisfied. This strategy enables Filters to offer the same units or applications in widely disparate industries with the possibility to reuse the units once the original use is satisfied. It also allows Filters the flexibility to sell or rent the systems. The rental approach allows Filters to reuse the units after cleaning and repacking, resulting in a higher return on capital employed.

Air Purator Corporation

APC, a wholly owned subsidiary of Filters, is engaged in the manufacture of specialty needled fiberglass fabrics. Some of the fabrics are coated to permit their use in certain highly corrosive applications. The fabrics are typically used in a particulate collection device known as a pulse-jet baghouse, which is fabricated, by a number of companies. Before APC's fabric is placed into the baghouse, the fabric will generally be sewn into a shape resembling a tube closed at one end, called a bag. The bag is then placed in an enclosed cylindrical apparatus known as a bag holder. APC primarily sells its fabrics to the bag fabricator. Other applications include the recovery of valuable materials such as carbon black. There are many domestic and foreign fabricators with which APC deals. APC's flagship product line is known in the field under the Huyglas(R) trade name. Other products include Dynaglas(R) and Huyflex products.

A felted fiberglass fabric developed by APC and targeted to compete with other fabrics sold for dust collection in industrial applications is now being marketed. This product may allow Filters to compete for a larger share of the global market for filter fabric media and may add to Filters' established position with the Huyglas(R) trade name. APC recently developed two new products that are capable of higher temperature exposure and less costly final fabrication. These products, once commercialized, could improve the operating results of APC.

APC is presently engaged in the development of additional products based on its proprietary technology. In conjunction with the corporate-wide sales and marketing efforts, sales personnel are vigorously pursuing various applications outside of uses traditionally associated with such fabrics. Several new products are currently being tested, but APC is unable to predict whether these efforts will result in the successful development of marketable products.

New Busch Co., Inc.

Busch, a wholly-owned subsidiary of Filters, is engaged in the business of marketing, selling, designing and assembling ventilation, environmental and process-related products, and providing manufacturer's representative services to certain companies or manufacturers. Busch consists of two divisions: Busch INTERNATIONAL and Busch MARTEC. In 1999 and 2000, Busch generated approximately 58% and 48% of Filters' consolidated net sales, respectively.

Busch INTERNATIONAL, the larger division of Busch, designs and supplies custom air systems to steel, aluminum, chemical, paper, glass, cement, power generation, and related industries on an international level. As part of its system designs, it supplies custom engineered precision-manufactured products specializing in air related applications. In addition, Busch INTERNATIONAL provides a wide range of special services, including conceptual studies, application engineering, and system start-up. Busch employs an engineering staff experienced in aerodynamic, mechanical, civil, and electrical disciplines. These personnel are utilized entirely to support Busch's air systems work. Areas of expertise include turbine inlet filtration, evaporative cooling, gas absorption, scrubbers, acoustics, and corrosion control.

Busch INTERNATIONAL is considered a premier supplier of custom engineered solutions for the control of fume and oil mist emissions from steel and aluminum rolling mills. Busch's Fume-Shield(TM) systems are designed and supplied by Busch and are devised to contain, capture, convey, and clean contaminated air. Busch INTERNATIONAL fume exhaust systems and air-curtain hoods are designed to provide high efficiency control of oil mist and fumes.

Busch INTERNATIONAL also designs, manufactures and supplies ventilation and other air handling equipment for industrial use. It also provides systems for corrosion protection, fugitive emissions control, evaporative cooling, oil mist collection, mill building ventilation, crane cab ventilation and other air handling applications. Some of these air handling units are the MRV-80(TM), MRV-81(TM), N-DUR-AIR(TM), RE-TREAT(R), PCR(TM) and CR(TM) series.

Busch INTERNATIONAL'S patented JET*STAR(TM) heat and transfer device is an excellent strip cooler, strip dryer, coil cooler, and strip blow-off system and is gaining significant market penetration for its ability to rapidly cool or heat metal or other materials. Busch believes that the rapid cooling permits higher throughput than competitive processes. Busch is presently involved in supplying JET*STAR(TM) for new and upgrade mill construction work.

Busch MARTEC acts as a manufacturers' representative with manufacturers for air and fluid products. Busch MARTEC does business almost exclusively in the Pittsburgh and tri-state area. Busch MARTEC also supplies certain products to the other Busch division.

U.S. Facilities Management

In 1999, Filters closed its U.S. Facilities Management operation.

Customers

No customers comprised 10% or more of the Company's consolidated net revenues for 2000 or 1999.

Because the demand for Filters' filters, replacement segments, fabric material, scrubbers and consulting services is not constant but can fluctuate due to economic conditions, filter life and other factors beyond Filters' control, Filters is unable to predict the level of purchases by its largest customers, or any other customer, in the future.

While Filters is exploring targeting larger industrial markets, Filters is also continuing to service specialty market areas, where it believes it has a competitive advantage over its larger competitors who generally have much greater resources than Filters. During 2000, Filters partnered with Kirk & Blum to offer Filters customers a turnkey package. Whereas, Filters performs the design and build capabilities and Kirk & Blum performs the field installation. In the year ended December 31, 2000, Filters and its subsidiaries continued to develop additional market areas, including storage facility vent emission control and its related odor control, new dry particulate emission control and combination scrubber-fiber bed filter systems, while also implementing changes to reach larger industrial markets, such as machining, automotive and asphalt markets. In recent years, Filters added capabilities to penetrate the semiconductor and printed circuit board markets through its filter technology and its patented scrubbers.

Other Aspects of the Kirk & Blum Acquisition

Employment Agreements, Bonuses and Stock Purchase Warrants

In connection with such acquisition, CECO Group entered into a five-year employment agreement with Richard J. Blum. Lawrence J. Blum and David D. Blum entered into five-year employment agreements with Kirk and Blum. These employment agreements also provide for annual salaries of $206,000, $100,000 and $154,000, respectively, for the three Blums. These agreements granted Richard, Lawrence and David Blum warrants to purchase 448,000, 217,000 and 335,000 shares of common stock of the Company, respectively, at $2.9375, the closing price of the Company's common stock on December 7, 1999. These warrants become exercisable at the rate of 25% per year over the four years following December 7, 1999. The warrants have a term of ten years. In addition, the employment agreements provide that each of the Blums will be paid a bonus with respect to each of the fiscal years ended as of December 31, 2000, 2001, 2002, 2003 and 2004 equal to, in the aggregate, (i) 25% of the net income of the Company before interest and taxes in excess of $4,000,000 as reported on the Company's audited financial statements filed with the Securities and Exchange Commission with respect to such year, less (ii) the contribution made on behalf of such employees to any profit sharing or 401(k) plan by the Company, CECO Group, Kirk & Blum or any affiliate (other than contributions made by the employees) with respect to such fiscal year. Of such aggregate bonus, Richard J. Blum will receive 44.8%, Lawrence J. Blum will receive 21.7% and David D. Blum will receive 33.5%.

Additionally, none of these bonuses will be paid if the Company or CECO Group is in default under any financing agreement with any bank or other financial institution or any other material agreement to which the Company or CECO Group is a party, or if the payment of such bonus would cause the Company or CECO Group to be in default under any such agreement. If no bonuses are paid as a result of the operation of the foregoing sentence, the unpaid bonuses will accrue interest at the rate of 8% per annum. Any accrued and unpaid bonuses and interest will be paid as soon as the Company or CECO Group ceases to be in default under such agreements and such payment would not cause a default under any such agreement. The payment of these bonuses is also subject to a subordination agreement in favor of the banks providing the financing described below. In connection with the results of operations from 2000, no bonuses were earned by the Blums.

Bank Financing

The financing for the transaction was provided by a bank loan facility in the amount of $25 million in term loans and a $10 million revolving credit facility. The $14.5 million term loan has a maturity of November 30, 2004; the $8.5 million term loan has a maturity of May 31, 2006; and the $2 million term loan has a maturity of 90 days after December 7, 1999. Interim payments of principal are required with respect to the $14.5 million and the $8.5 million term loans. The Company borrowed against the cash value of life insurance owned by Kirk & Blum in order to repay the $2 million term loan. The bank loan facility was provided by PNC Bank, National Association, The Fifth Third Bank and Bank One, N.A. (the "Bank Facility").

In addition, as a condition to obtaining the bank financing, the Company placed $5 million of subordinated debt. The proceeds of the bank loans and the additional $5 million of subordinated debt were used to pay the purchase prices for Kirk & Blum and kbd/Technic, and to pay expenses incurred in connection with the acquisitions, to refinance existing indebtedness and for working capital purposes. In connection with these loans, the banks providing the loan facility received a lien on substantially all the assets of the Company and its subsidiaries.

The senior secured credit facility was amended in March 2001 by reducing the requirements under several financial covenants as of December 31, 2000 and for the four quarters in 2001, raising interest rates on the Company's borrowings by 0.5%, and reducing the total amount available under the revolving line to $9 million. Additionally, the Company is required to make additional prepayments against the term loans of $.5 million by June 30, 2001 and September 30, 2001 and $1 million by December 31, 2001. In consideration for this amendment, additional fees were paid to the bank group and additional fees are payable to the bank group unless the Company raises additional capital by a specified time period. In addition, the Company agreed to pledge its Peerless Manufacturing Company common stock as additional collateral and any proceeds from the sale or other disposition of such stock will be applied against the additional prepayments to reduce the principal balance under the term loan portion of the facilities. The Company would not have been in compliance with the financial covenants had the amendment not been made.

Subordinated Debt

The subordinated debt was provided to the Company in the amount of $4 million by Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp., $.5 million by ICS Trustee Services, Inc. and $.5 million by Harvey Sandler. ICS Trustee Services, Inc. and Harvey Sandler are not affiliated with the Company. Green Diamond Oil Corp. 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 DeZwirek, Phillip DeZwirek's son and 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 subject to the subordination agreement with the banks providing the financing referred to above.

In consideration for the subordinated lenders making the Company the subordinated loans, the Company issued to the subordinated lenders warrants to purchase up to 1,000,000 shares of the Company's common stock for $2.25 per share, the closing price of the Company's common stock on the day that the subordinated lenders entered into an agreement with the Company to provide the subordinated loans. The warrants are exercisable from June 6, 2000 to December 7, 2009. In connection with such warrants, the subordinated lenders were granted certain registration rights with respect to their warrants and shares of common stock of the Company into which the warrants are convertible.

In March 2001, the subordinated notes were amended so that the Company has the option to convert the outstanding principal balance of the notes (and accrued interest) into shares of its common stock. The Company's right to prepay the outstanding principal balance of the notes prior to its scheduled maturity was eliminated.

The kbd/Technic, Inc. Voting Trust

kbd/Technic may engage in engineering services in the State of Ohio and in other states. In order to be a corporation licensed to perform engineering services in the state of Ohio, Ohio law requires that a majority of the stock of kbd/Technic be owned by a licensed engineer. CECO Group has therefore arranged that the stock of kbd/Technic be owned by a voting trust of which Richard J. Blum, the president of CECO Group and the Company, is the trustee. CECO Group remains the beneficial owner of 100% of the stock of kbd/Technic.

Peerless Manufacturing Company

The Company purchased 177,900 shares of the common stock of Peerless Manufacturing Company ("Peerless"), which represented 12.25% of the outstanding Stock of Peerless during 1999. The Company acquired the common stock for purposes of pursuing the possibility of acquiring the majority or all of the stock of Peerless. The Company subsequently sold 113,300 shares of Peerless through December 31, 2000 and is no longer intending to purchase additional shares for the purpose of obtaining control.

Government Regulations

The Company and its subsidiaries have not been materially impacted by existing government regulation, nor is the Company aware of any probable government regulation that would materially affect its operations. The Company's costs in complying with environmental laws have been negligible.

During 2000 and 1999, the Company estimates that $.1 million and $33,000 respectively, had been expended on research and development programs. Such costs are generally included as factors in determining pricing.

Suppliers

Kirk & Blum purchases its raw materials (mainly angle iron and sheet plate products) from a variety of sources. When possible, Kirk & Blum secures these materials from steel mills. Other materials are purchased from a variety of steel service centers. Kirk & Blum does not anticipate any shortages in the near future.

Filters purchases all of its chemical grade fiberglass as needed from Manville Corporation, which Filters believes is the only domestic supplier of such fiberglass. However, there are foreign suppliers of chemical grade fiberglass, and, based on current conditions, Filters believes that it could obtain such material from foreign suppliers on acceptable terms. Filters believes that there is sufficient supply of raw materials for the other components of its filters and does not anticipate any shortages in the near future.

APC purchases its raw material from a variety of sources and does not anticipate any shortages in the near future.

While Filters depends upon two suppliers for certain specialty items, including glass and chemicals, Filters believes it has a good relationship with such suppliers and does not anticipate any difficulty in continuing to receive such items on terms acceptable to the Company.

Busch purchases a majority of its fans from New York Blower and a majority of its louvers and dampers from American Warming. Busch purchases additional materials from a variety of sources and does not anticipate any shortages in the near future. Busch believes it has a good relationship with such suppliers and does not anticipate any difficulty in continuing to receive such items on terms acceptable to Busch.

Competition and Marketing

Kirk & Blum is the largest industrial sheet metal contractor in the United States. Kirk & Blum believes that it is the largest provider of the types of industrial ventilation systems that it produces. While there are equipment manufacturers that are larger, Kirk & Blum believes that there are no systems contractors who are larger.

Kirk & Blum faces substantial competition with respect to its contract fabrication services. Kirk & Blum focuses on securing relationships and contracts with manufacturers that need its services on a long-term basis.

Kirk & Blum believes that it is the second largest supplier in the component parts industry. Its major competitor is Mid West Metal Products. Kirk & Blum believes that it is the only provider in this market segment that uses a network of stocking distributors.

The arena in which kbd/Technic competes is highly fragmented. kbd/Technic believes that it is one of the largest consulting firms providing only air engineering consulting services. Larger consulting engineering companies may provide some of the services provided by kbd/Technic, however, they do not concentrate on air engineering consulting services. Such consulting engineering companies, however, generally will have greater resources than kbd/Technic.

With respect to Filters' products, Monsanto Corporation may be larger in the fiber bed mist eliminator industry. Monsanto's financial resources are considered far greater than Filters, and Monsanto can undertake much more extensive marketing and advertising programs than Filters. Monsanto is also a competitor of Busch. Certain other competitors also have greater financial resources than Filters.

Filters competes by stressing its exclusive products, including SITE-PAK(R) segments that permit on-site filter media replacement capability and prefilters, its patented product that protects the surface of a fiber bed filter from becoming plugged with solids, and its patented multiple-bed fiberbed filters that dramatically increase the surface area of a filter. In addition, the Company believes that Filters is the only U.S. manufacturer of fiber bed mist eliminators whose filter material can be replaced on-site by a customer. The Company believes that Filters is price competitive within the market for filters with similar efficiency.

Manufacturers of electrostatic precipitators and wet scrubbers may also be deemed to be in competition with Filters, because those devices are also effective in removing particulates from an air or another gas stream. While such devices may have higher operating costs than fiber bed mist eliminators, replacement of the component parts of such devices is rare as compared to fiber bed mist eliminators.

Filters and its subsidiaries each face substantial competition. APC and Filters each face competition from other forms of environmental control and material recovery devices including scrubbers and electrostatic precipitators and from other filter fabric media that can also be fabricated into bags for baghouses. These fabrics and fibers include, Teflon(R), Gore-Tex(R), woven fiberglass (both treated and non-treated), polyester, Ryton(R), Nomex(R) and several other fabrics.

Kirk & Blum markets its ventilation systems through direct solicitation of existing customers and through its marketing personnel. Kirk & Blum also utilizes some finders' arrangements.

Filters and its subsidiaries' marketing efforts have consisted of telemarketing and direct solicitation of orders from existing customers. Filters and its subsidiaries also utilize direct mail solicitation and selected advertising in trade journals and product guides and trade shows.

Filters and its subsidiaries also utilize sales representatives located in the United States, Canada and overseas and Special Sales Directors, each focused on specific industries. Busch, in addition to using direct solicitation and some sales representatives, also participates in industrial shows. Filters' subsidiaries have increased sales personnel and have added representatives in the United States, United Kingdom and Brazil.

Employees

CECO Group and its subsidiaries had 663 full-time employees and 5 part-time employees as of December 31, 2000. None of the Company's employees are currently unionized other than certain employees of Kirk & Blum. As of December 31, 2000, Kirk & Blum had 471 union employees in sixteen separate locals. Kirk & Blum is a party to sixteen union contracts; fourteen are with different locals of the Sheet Metal Workers International Association and two are with the Pipe Fitters. Two of the contracts expired in May 2000. Four of the contracts expire during 2001, one in March, one in April, one in May and another in June. The remaining ten contracts expire at various times during 2002. The Company considers its relationship with its employees to be satisfactory.

Key Employees

The operations of the Company are largely dependent on Richard J. Blum and certain other key executives. The loss of Mr. Blum or any of its key executives could have a material adverse effect upon the operations of the Company.

Product Liability Insurance

The Company's subsidiaries carry product liability insurance covering its respective products, excluding environmental liability.

Patents

Filters currently holds one US patent for its N-SERT(R) and X-SERT(R) prefilters. Filters also holds a patent on its Twin Pak(R) multiple bed fiberbed filter and an exclusive world-wide license to the patent on the Catenary Grid(R) scrubber, Ultra-violet Enhanced Cantenary Grid(R) scrubber, and the Narrow Gap Venturi(R) scrubber, along with fluoropolymer media for diffusion filtration. APC holds two patents on the Huyglas material. All of the prefilters, the multiple bed units and the Huyglas material have contributed to Filters' performance during 2000. Busch holds an exclusive license to the patent on the JET*STAR(TM) strip cooler, strip dryer, coil cooler, and strip blow-off systems. Busch also holds an exclusive license on the patent on the flexible nozzle material used in connection with the JET*STAR(TM) systems and the process of using water in addition to air used in the JET*STAR(TM) systems. There is no assurance that measurable revenues will accrue to the Company or its subsidiaries as a result of their patents or licenses.

Shares of Filters owned by CECO Group

As of December 31, 2000, the CECO Group owned 6,439,606 shares of Filters, representing 93.8% of Filters' common stock. CECO Group may consider purchasing additional shares of Filters common stock if such additional shares become available at a price that CECO Group considers reasonable.

Acquisition of Company Stock by the Company

During 2000, the Company purchased 566,000 shares of Company common stock as treasury shares at a total cost of $1.2 million from the former president of CECO Filters, Inc. and his family in connection with his resignation that was effective June 30, 2000. Additionally, the Company made open market purchases of 60,000 shares of its common stock in 2000.

Item 2. Properties

The Company maintains its executive offices in Toronto, Ontario and its operating offices in Cincinnati, Ohio.

Kirk & Blum's headquarters are located in Cincinnati, Ohio at a 236,178 square foot facility owned by Kirk & Blum. Functions performed in this facility include operating management, sales, manufacturing and design. Located in this facility are manufacturing capabilities for custom metal fabrication component parts, as well as the headquarters of kbd/Technic and manufacturing for air pollution control systems.

Kirk & Blum also owns a 30,000 square foot facility in Indianapolis, Indiana, a 35,000 square foot facility in Louisville, Kentucky, and a 33,400 square foot facility in Lexington, Kentucky.

Kirk & Blum leases a 28,920 square foot facility in Columbia, Tennessee and an 18,225 square foot facility in Greensboro, North Carolina. The lease for the Columbia property has current annual rent payments of $92,500 expiring August 2005. The Greensboro facility lease has annual lease payments of $52,404 and is renewed on an annual basis.

Filters owns a plant facility in Conshohocken, Pennsylvania. On March 16, 1999, CECO refinanced the property with a seven year commercial mortgage from PNC Bank, National Association at 7.75%, which was repaid in December 1999.

Filters, for APC's operations, leases 11,500 square feet of space from BTR North America, Inc. for the premises in Taunton, Massachusetts for annual rental of $54,625. This lease expires on February 28 of each year and is renewable yearly upon mutual consent and APC continues to lease the premises as a tenant-at-will.

Busch maintains its offices in Pittsburgh, Pennsylvania. The lease that Busch was assigned in connection with the acquisition of the Busch assets, is dated January 10, 1980 and extends through July 31, 2002. The lease is for approximately 12,000 square feet at an annual rental of $82,398. The rental amount was adjusted commencing August 1, 2000 to increase the annual rental to $85,694. Andrew M. Halapin, the former principal owner of Busch, is the beneficial owner of the property in which Busch's offices are located.

All properties owned by Kirk & Blum and Filters are subject to mortgages to secure the amounts owed under the Bank Facility.

The Company considers the properties adequate for their respective uses.

Item 3. Legal Proceedings

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

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

The annual meeting of the shareholders of the Company was held on November 22, 2000. At the meeting, the Company's five directors were elected, and the appointment of Deloitte & Touche LLP as the Company's accountants was ratified. The votes for each of the directors were 5,827,335, with 18,200 against and 21,400 abstentions. The votes for the appointment of Deloitte & Touche LLP was 5,824,122, with 21,413 against and 16,525 abstentions.

PART II

Item 5. Market of the Registrant's Common Equity and Related Stockholder

Matters.

(a) The Company's common stock is traded in the over-the-counter market and is quoted in the NASDAQ automated quotation system under the symbol CECE. The following table sets forth the range of bid prices for the common stock of the Company 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.

CECE Common Stock - Bids			CECE Common Stock - Bids		
1999	High	Low	2000	High	Low
1st Quarter	$4.50	$2.25	1st Quarter	$3.375	$2.0625
2nd Quarter	$4.625	$3.00	2nd Quarter	$2.9375	$2.00
3rd Quarter	$3.75	$2.0625	3rd Quarter	$2.50	$2.00
4th Quarter	$4.00	$1.7188	4th Quarter	$2.3125	$1.125
2001					
1st Quarter (through March 19, 2001)	$2.125	$1.4375			

(b) The approximate number of beneficial holders of common stock of the Company as of March 19, 2001 was 1,700.

(c) The Company has paid no dividends during the fiscal year ended December 31, 1999 or the fiscal year ended December 31, 2000. The Company does not expect to pay dividends in the foreseeable future. The Company and its subsidiaries are parties to various loan documents, which prevent the Company from paying any dividends.

Item 6. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

Overview

The principal operating units of CECO Environmental Corp. (the "Company") are The Kirk & Blum Manufacturing Company ("Kirk & Blum"), kbd/Technic, Inc. ("kbd/Technic"), CECO Filters, Inc. ("Filters"), Air Purator Corporation ("APC") and New Busch Co., Inc. ("Busch") which provide innovative solutions to industrial ventilation and air quality problems through dust, mist, and fume control systems and particle and chemical control technologies. The Company operates in two reportable segments: Systems and Media. The Systems segment assembles and manufactures ventilation, environmental and process-related products. The Company provides standard and engineered systems and filter media for air quality improvement through its Media segment.

The Company's Systems segment consists of Kirk & Blum, kbd/Technic and Busch. Kirk & Blum is a leading provider of turnkey engineering, design, manufacturing and installation services in the air pollution control industry. Kirk & Blum's business is focused on designing, building and installing systems, which remove airborne contaminants from industrial facilities as well as equipment that control emissions from such facilities. Busch is engaged in providing system-based solutions for industrial ventilation and air pollution control problems by designing, fabricating, supplying equipment and installing equipment used to control the environment in and around industrial plants with a variety of standard, proprietary and patented technologies including its JET*STAR(TM) cooling system. kbd/Technic is a specialty-engineering firm concentrating in industrial ventilation. kbd/Technic provides air systems testing and balancing, source emissions testing, industrial ventilation engineering, turnkey project engineering (civil, structural and electrical), and sound and vibration systems engineering. These companies have extensive knowledge and experience in providing complete turnkey systems in new installations and renovating existing systems.

The Company's Media segment consists of Filters and APC. Filters manufactures and markets filters known as fiber bed mist eliminators, designed to trap, collect and remove solid soluble and liquid particulate matter suspended in an air or other gas stream whether generated from a point source emission or otherwise. Filters offers innovative patented technologies such as the Catenary Grid(R) and the Narrow Gap Venturi(R) scrubbers, which are designed for use with heat and mass transfer operations and particulate control. APC designs and manufactures high performance filter media for use in high temperature pulse jet baghouses, a highly effective type of baghouse for capturing submicron particulate from gas streams.

The following discussion of the Company's results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements and Notes thereto (including Note 19, Segment and Related Information) and other financial information included elsewhere in this report.

Results of Operations

The Company's consolidated statement of operations for the years ended December 31, 2000 and 1999 reflect the operations of the Company, consolidated with the operations of its subsidiaries. At December 31, 2000, the Company owned approximately 94% of Filters. Minority interest has been separately presented in the statement of operations.

The following table sets forth line items shown on the consolidated statement of operations, as a percentage of total net sales, for the years ended December 31, 2000 and 1999. This table should be read in conjunction with the consolidated financial statements and notes thereto.

	YEAR ENDED DECEMBER 31,	
	2000	1999
Net Sales	100.0	100.0
Costs and expenses:		
Cost of sales	79.9	62.6
Selling and administrative	15.5	32.2
Depreciation and amortization	2.4	3.2
	97.8	98.0
Income from continuing operations before investment income and interest expense	2.2	2.0
Investment income	.9	2.2
Interest expense	4.2	5.4
Income (loss) from continuing operations before income taxes and minority interest	(1.1)	(1.2)
Provision (benefit) for income taxes	.3	.7
Income (loss) from continuing operations before minority interest	(.8)	(1.9)
Minority interest	.0	.0
Income (loss) from continuing operations	(.8)	(1.9)
Loss from discontinued operations	.0	(2.3)
Net loss	(.8)	(4.2)

Net Sales

Consolidated net sales increased 300% for the twelve months ended December 31, 2000 to $89.8 million, up $67.4 million over 1999. The increase in 2000 was due to the combination of increased revenue from the Systems segment, principally due to the positive impact from the acquisition of Kirk & Blum and kbd/Technic in December 1999, offset by a decrease in revenue from the Media segment.

Systems segment revenue increased by $69.2 million during 2000. The primary factors for this increase were the inclusion of Kirk & Blum and kbd/Technic offset by lower revenue generated by Busch. The Company's newly acquired Kirk & Blum operating unit generated increased revenue over its 1999 levels. The decline in revenue from Busch is principally due to a general decline in the metals industry and a decline in demand at rolling mills for fume exhaust systems and Busch's proprietary JET*STAR(TM) cooling technology. However, both the inquiry level and the order level increased late in 2000 for the aluminum segment of the metals industry.

Media segment sales reflect a decline of $1.2 million primarily due to a decline in the Company's high performance filter media unit, Air Purator Corporation. Sales to bag manufacturers that use the filter media in pulse jet baghouses slowed during 2000 due in part to inventory rationalization and increased competition from lower priced filter media. The Company believes that its filter media has better performance characteristics in high temperature use applications than its competition and is pursing this avenue in its marketing approach.

Gross Profit

Gross profit increased $9.7 million to $18.1 million in 2000 compared with $8.4 million in 1999. Gross profit, as a percentage of revenues, was 20.2% in 2000 compared with 37.4% in the prior year. The decline is attributable to the mix of increased sales from lower margin Systems segment sales and decreased sales from the higher margin Media segment. Overall, margins as a percentage of sales will be impacted by the addition of Kirk & Blum to the Systems segment as this operating unit represents a significant portion in the Company's total revenue and operates at lower margins. Subsequent to year-end, Kirk & Blum identified a potential loss on a contract in progress as of December 31, 2000 with a major industrial company and recorded a $.6 million reserve in the fourth quarter of 2000. The Company is attempting to recover this loss from the customer. This loss has not been reduced for a potential recovery as the amount of recovery is not reasonably determinable as of December 31, 2000.

Expenses

Selling and administrative expenses increased by $6.7 million to $13.9 million in 2000 due to the acquisition of Kirk & Blum and kbd/Technic. Selling and administrative expenses, as a percentage of revenues for 2000 and 1999, were 15.5% and 32.2%, respectively. A substantial portion of these expenses, which are considered fixed, have been under review by Management for cost savings opportunities resulting from administrative efficiencies that could be realized from consolidating the Company's operating headquarters in Cincinnati, Ohio. Additionally, variable selling expenses have been under review to better align compensation of sales personnel with performance. In 2000, Management identified overhead reductions at an annualized rate of approximately $1 million. Savings that should be realized from this realignment and cost reduction efforts have favorably affected results in 2000 by approximately $.4 million. Management believes that the balance of overhead reductions should be realized in 2001.

Depreciation and amortization increased by $1.4 million to $2.2 million in 2000 primarily due to the larger base of depreciable and amortizable assets and the goodwill resulting from the acquisition of Kirk & Blum and kbd/Technic.

Investment Income

Investment income increased by $.3 million to $.8 million during 2000 compared with $.5 million in 1999. The increase in investment income resulted from interest income, dividend income, net realized gains and net unrealized appreciation in investments. At December 31, 2000, the Company's most significant investment was 64,600 shares of Peerless Manufacturing Company common stock which is listed on the Nasdaq Stock Market(R) traded under the symbol PMFG. The closing price of the Peerless stock was $15.50 per share as of December 31, 2000.

Interest Expense

Interest expense increased by $2.6 million to $3.8 million during 2000 compared with $1.2 million in 1999 principally due to higher borrowing levels, increased rates under the newly established bank credit facilities, and subordinated and related party debt. The bulk of such debt was incurred in connection with the acquisition of Kirk & Blum and kbd/Technic. In August 1999, the Company issued a demand note and warrants to purchase 1 million shares of common stock to a related party. The inherent discount associated with the value for the warrants was immediately amortized, and $.6 million of interest expense was recognized in the quarter ended September 30, 1999. Management of the Company and the holder of the warrants believed that the inherent interest rate resulting from the valuation was higher than originally contemplated when the transaction was structured and, therefore, in September 2000, the holder cancelled the warrants after repayment of the debt.

Income Taxes

Federal and state income tax benefit was $.3 million in 2000 compared with a tax provision of $.2 million in 1999. The 29.4% effective income tax benefit rate in 2000 was less than the statutory rate primarily due to non-deductible goodwill amortization relating to investments in Filters, Kirk & Blum and kbd/Technic.

Discontinued Operations

Discontinued operations reflect the closure of the operations of the Company's subsidiary US Facilities Management during 1999. Operating losses and disposal costs, net of income tax benefits and minority interest totaled $.5 million in 1999.

Net Loss

Net loss for the year ended December 31, 2000 was ($.7 million) compared with a net loss of ($.9 million) in 1999.

Backlog

The Company's backlog consists of purchase orders it has received for products and services it expects to ship and deliver within the next 12 months. The Company's backlog, as of December 31, 2000, was $12.1 million. The Systems segment provided over 90% of the backlog. There can be no assurance that backlog will be replicated or increased or translated into higher revenues in the future. The success of the Company's business depends on a multitude of factors that are out of the Company's control. The Company's operating results can be affected by the introduction of new products, new manufacturing technologies, rapid change of the demand for its products, decrease in average selling price over the life of the product as competition increases and the Company's dependence on efforts of intermediaries to sell a portion of its product.

Financial Condition, Liquidity and Capital Resources

On December 7, 1999, the Company acquired Kirk & Blum Manufacturing Company and kbd/Technic, Inc., which are engaged in the design, fabrication, and installation of specialized ventilation systems and related engineering and technical services. Both Companies became wholly owned subsidiaries of the Company. The Company paid cash totaling approximately $25 million to owners of Kirk & Blum and kbd/Technic and the Company assumed debt obligations of Kirk & Blum and kdb/Technic totaling $5 million. The transaction was accounted for as a purchase. The activity of Kirk & Blum and kbd/Technic has been included with the Company's consolidated results of operations from December 7, 1999. The purchase price has been allocated to Kirk & Blum and kbd/Technic balance sheets based on independent appraisals of the various assets acquired. Approximately, $3.1 million of intangibles, including Kirk & Blum's trade name and the valuation of its workforce, are included in the Company's consolidated balance sheet as of December 31, 2000 and 1999 relating to these acquisitions. Under the terms of an escrow agreement entered into among the Company and the owners of Kirk & Blum, the Company received $.3 million during the second quarter of 2000 as a post-closing price adjustment.

At December 31, 2000, cash and cash equivalents and marketable securities totaled $1.7 million compared with $3.8 million at December 31, 1999. Cash provided by operating activities for the year ended December 31, 2000 was $2.6 million compared with cash used of $.8 million for the same period in 1999. In December 1999, the Company consummated new credit facilities totaling $38.0 million under a senior secured syndicated banking facility of $33.0 million maturing in 2004 - 2006, and $5.0 million of subordinated debt maturing in 2006 to finance the acquisition of Kirk & Blum and kbd/Technic and refinance its existing $8 million credit facility and working capital. The bank credit facility allows the Company, subject to certain financial covenants, to borrow for its general corporate needs, including acquisitions. Borrowings under this arrangement bear interest at a Libor based rate from 30 - 180 days or based upon the bank's prime rate at the Company's designation.

The Company's investment in marketable securities consisted principally of its investment in Peerless Manufacturing Company and other investments with a value of $1.0 million on December 31, 2000.

Total bank and related debt as of December 31, 2000 was $26.4 million, a decrease of $1.5 million, due to net repayments under bank credit facilities and payments made with respect to other notes payable. Unused credit availability at December 31, 2000, was $5.0 million under the Company's bank line of credit.

The senior secured credit facility was amended in March 2001 by reducing the requirements under several financial covenants as of December 31, 2000 and for the four quarters in 2001, raising interest rates on the Company's borrowings by 0.5% and reducing the total amount available under the revolving line to $9 million. Additionally, the Company is required to make additional prepayments against the term loans of $.5 million by June 30, 2001 and September 30, 2001 and $1 million by December 31, 2001. In consideration for this amendment, additional fees were paid to the bank group and additional fees are payable to the bank group unless the Company raises additional capital by a specified time period. In addition the Company agreed to pledge its Peerless Manufacturing Company common stock as additional collateral and any proceeds from the sale or other disposition of such stock will be applied against the additional prepayments to reduce the principal balance under the term loan portion of the facilities. In March 2001, the subordinated notes were amended granting the Company the option to convert the unpaid principal balance (and accrued but unpaid interest) of the notes into shares of common stock at an initial conversion price of $ 2.00 per share. The conversion price is subject to adjustment upon the occurrence of certain corporate events. In addition, the Company's right to prepay the holders prior to its scheduled maturity was eliminated.

Investing activities used cash of $.3 million during 2000 compared with $25.9 million for the same period in 1999. The Company acquired the Kirk & Blum Manufacturing Company and kbd/Technic for $25 million cash plus assumed debt of $5 million on December 7, 1999. During the second quarter of 2000, the Company received $.3 million as a post-closing price adjustment related to its December 1999 acquisition of Kirk & Blum and kbd/Technic. Capital expenditures for property and equipment and intangibles were $.6 million and $.4 million for the years ended December 31, 2000 and 1999, respectively. Expenditures in 2000 were primarily for manufacturing and engineering equipment, and leasehold improvements. Capital expenditures for property and equipment are anticipated to be in the range of $.5 million to $.9 million for 2001 and will be funded by cash from operations, line of credit borrowings and/or lease financing.

Financing activities used cash of $2.8 million during 2000 compared with $27.5 million of cash provided by financing during the same period of 1999. The Company incurred debt in 1999 to finance the acquisition of Kirk & Blum and kbd/Technic and to refinance existing debt. In the third quarter of 2000, the Company purchased 566,000 shares of its common stock as treasury shares at a total cost of $1.2 million from the former president of CECO Filters, Inc. and his family in connection with his resignation that was effective June 30, 2000. Additionally, current year financing activities included net borrowings under senior credit facilities and repayments of certain outstanding debt to Green Diamond Oil Corp. offset by proceeds from common stock issued under the Company's Employee Stock Purchase Plan.

The Company believes that its cash, cash equivalents and marketable securities, cash flow from operations, and its credit facilities are adequate to meet the Company's cash requirements over the next twelve months.

New Accounting Standards

Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities", as amended, is effective for fiscal years beginning after June 15, 2000. SFAS 133 requires a Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the hedged assets, liabilities, or firm commitments are recognized through earnings or in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS 133 did not have a significant impact on the Company's consolidated results of operations, financial position or cash flows.

SEC Staff Accounting Bulletin 101, "Revenue Recognition", effective for the year ended December 31, 2000, did not have a material impact on the consolidated financial statements.

Market Risk

The Company's market risk includes the potential loss arising from adverse changes in interest rates. The Company's market risk from interest rates is the potential increase in fair value of long-term debt resulting from a change in interest rates.

At December 31, 2000, the fair value of the Company's long-term debt approximates market. The Company's market risk is estimated as the potential increase in fair value resulting from a hypothetical one-half percent change in interest rates and amounts to approximately $.1 million.

Forward-Looking Statements

The Company desires to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and is making this cautionary statement in connection with such safe harbor legislation. This Form 10-KSB, the Annual Report to Shareholders, Form 10-QSB or Form 8-K of the Company or any other written or oral statements made by or on behalf of the Company may include forward-looking statements which reflect the Company's 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-KSB are "forward-looking statements," and are based on management's current expectations of the Company's near-term results, based on current information available pertaining to the Company, including the risk factors noted below.

The Company wishes to caution investors that any forward-looking statements made by or on behalf of the Company 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. The Company wishes to caution investors that other factors might, in the future, prove to be important in affecting the Company's 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 the Company's views as of the date the statement is made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Item 7. Financial Statements

The Company's consolidated financial statements of CECO Environmental Corp. and subsidiaries for years ended December 31, 2000 and 1999 and other data are included in this Report following this page:

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Independent Auditors' Reports	F-2 to F-3
Consolidated Balance Sheet	F-4
Consolidated Statement of Operations	F-5
Consolidated Statement of Shareholders' Equity	F-6
Consolidated Statement of Cash Flows	F-7
Notes to Consolidated Financial Statements for the Years Ended December 31, 2000 and 1999	F-8 to F-24

CECO ENVIRONMENTAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999

INDEPENDENT AUDITORS' REPORT

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, 2000, 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, such 2000 financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Cincinnati, Ohio
March 30, 2001

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
CECO Environmental Corp.
Toronto, Ontario Canada

We have audited the accompanying consolidated balance sheet of CECO Environmental Corp. and subsidiaries as of December 31, 1999, 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 financial statements referred to above present fairly, in all material respects, the financial position of CECO Environmental Corp. and subsidiaries as of December 31, 1999, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

/S/ MARGOLIS & COMPANY P.C.

Certified Public Accountants

Bala Cynwyd, PA
March 30, 2001

CECO ENVIRONMENTAL CORP.

CONSOLIDATED BALANCE SHEET

	DECEMBER 31, 2000	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 664,155	$ 1,134,792
Marketable securities - trading	1,002,399	2,690,919
Accounts receivable, net	17,372,149	17,204,539
Costs and estimated earnings in excess of billings on uncompleted contracts	5,099,359	2,951,773
Inventories	2,372,811	2,173,010
Prepaid expenses and other current assets	757,018	635,423
Deferred income taxes	1,123,408	647,600
Total current assets	28,391,299	27,438,056
Property and equipment, net	13,586,851	14,244,457
Goodwill, net	8,478,743	8,917,290
Other intangible assets, net	4,148,997	4,375,070
Deferred charges and other assets	1,289,915	1,473,054
	$ 55,895,805	$ 56,447,927
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt (including related party of $800,000 in 1999)	$ 3,775,662	$ 2,788,054
Accounts payable and accrued expenses	11,808,182	9,685,938
Billings in excess of costs and estimated earnings on uncompleted contracts	1,175,203	460,092
Total current liabilities	16,759,047	12,934,084
Other liabilities	703,608	713,003
Debt, less current portion	22,640,187	25,116,985
Deferred income taxes	5,263,927	5,374,501
Minority interest	59,916	98,541
Subordinated notes (convertible - see note 12, related party - $2,768,822 and $2,522,400, respectively)	3,461,026	3,172,695
Preferred stock, $.01 par value; 10,000,000 shares authorized, none issued	--	--
Common stock, $.01 par value; 100,000,000 shares authorized, 8,639,792 and 8,623,391 shares issued in 2000 and 1999, respectively	86,398	86,234
Capital in excess of par value	12,591,617	12,560,667
Accumulated deficit	(3,950,038)	(3,260,114)
Accumulated other comprehensive loss	(33,992)	--
	8,693,985	9,386,787
Less treasury stock, at cost, 753,920 and 137,920 shares, respectively	(1,685,891)	(348,669)
	7,008,094	9,038,118
Commitments and contingencies (Note 15)		
	$ 55,895,805	$ 56,447,927

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 2000	1999
Net sales	$ 89,816,829	$ 22,413,782
Costs and expenses:		
Cost of sales, exclusive of items shown separately below	71,719,822	14,026,730
Selling and administrative	13,932,648	7,216,148
Depreciation and amortization	2,154,572	729,333
	87,807,042	21,972,211
Income from continuing operations before investment income and interest expense	2,009,787	441,571
Investment income	765,369	497,938
Interest expense (including related party interest of $711,980 and $670,333, respectively)	(3,807,453)	(1,220,795)
Loss from continuing operations before income taxes and minority interest	(1,032,297)	(281,286)
Income tax provision (benefit)	(303,748)	151,362
Loss from continuing operations before minority interest	(728,549)	(432,648)
Minority interest in (income) loss of consolidated subsidiary	38,625	(1,112)
Loss from continuing operations	(689,924)	(433,760)
Discontinued operations:		
Loss from operations, net of $133,519 tax benefit	--	(378,070)
Loss on disposal, net of $46,381 tax benefit	--	(131,331)
Loss from discontinued operations	--	(509,401)
Net loss	$ (689,924)	$ (943,161)
Basic net loss per share:		
Loss from continuing operations	$ (.08)	$ (.05)
Net loss per share	$ (.08)	$ (.11)
Diluted net loss per share:		
Loss from continuing operations	$ (.08)	$ (.05)
Net loss per share	$ (.08)	$ (.11)

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Total Comprehensive Loss
Balance, December 31, 1998	$ 86,234	$ 10,136,667	$(2,316,953)		$ (348,669)	$ 7,557,279	
Net loss for the year ended December 31, 1999			(943,161)			(943,161)	$ (943,161)
Stock warrants issued (see note 13)		2,424,000				2,424,000	
Balance, December 31, 1999	86,234	12,560,667	(3,260,114)		(348,669)	9,038,118	$ (943,161)
Net loss for the year ended December 31, 2000			(689,924)			(689,924)	$ (689,924)
Issuance of common stock	164	30,950				31,114	
Treasury stock purchases					(1,337,222)	(1,337,222)	
Other comprehensive loss: Minimum pension liability, net of tax of $22,659				$ (33,992)		(33,992)	(33,992)
Balance, December 31, 2000	$ 86,398	$ 12,591,617	$(3,950,038)	$ (33,992)	$ (1,685,891)	$ 7,008,094	$ (723,916)

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 2000	1999
Cash flows from operating activities:		
Net loss	$ (689,924)	$ (943,161)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	--	509,401
Depreciation and amortization	2,154,572	729,333
Deferred income taxes	(609,041)	(44,100)
Minority interest	(38,625)	-
Gain on sale of marketable securities, trading	(631,618)	(95,684)
Changes in operating assets and liabilities, net of acquired businesses:		
Marketable securities - trading	2,320,138	(1,899,291)
Accounts receivable	(167,610)	(807,546)
Costs and estimated earnings in excess of billings on uncompleted contracts	(2,147,586)	(458,274)
Inventories	(199,801)	1,568,999
Prepaid expenses and other current assets	(121,595)	90,319
Deferred charges and other assets	(17,506)	(142,319)
Accounts payable and accrued expenses	2,122,244	1,532,080
Billings in excess of costs and estimated earnings on uncompleted contracts	715,111	(1,196,709)
Discontinued operations	--	113,294
Other	(57,883)	197,975
Net cash provided by (used in) operating activities	2,630,876	(845,683)
Cash flows from investing activities:		
Acquisitions of property and equipment and intangible assets	(559,763)	(439,844)
Acquisitions of businesses, net of cash acquired	--	(25,488,445)
Cash received from purchase price adjustment	253,550	--
Net cash used in investing activities	(306,213)	(25,928,289)
Cash flows from financing activities:		
Net borrowings on revolving credit facility	1,300,000	2,473,384
Proceeds from issuance of stock	31,114	--
Proceeds from issuance of debt	--	29,012,392
Repayments of debt	(2,789,192)	(6,714,828)
Proceeds from borrowing against cash surrender value of life insurance	--	2,773,168
Purchases of treasury stock	(1,337,222)	--
Net cash provided by (used in) financing activities	(2,795,300)	27,544,116
Net increase (decrease) in cash and cash equivalents	(470,637)	770,144
Cash and cash equivalents at beginning of year	1,134,792	364,648
Cash and cash equivalents at end of year	$ 664,155	$ 1,134,792

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2000	1999
Cash paid during the year for:		
Interest	$ 2,870,211	$ 304,970
Income taxes	$ 253,865	$ 503,684

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

CECO ENVIRONMENTAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business - The principal businesses of CECO Environmental Corp. (the "Company") 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 - The consolidated financial statements include the accounts of the Company and the following subsidiaries:

	% Owned As Of December 31, 2000
CECO Group, Inc. ("Group")	100%
CECO Filters, Inc. and Subsidiaries ("CFI")	94%
The Kirk & Blum Manufacturing Company ("K&B")	100%
kbd/Technic, Inc.	100%

CFI includes two wholly-owned subsidiaries:
  Air Purator Corporation
  New Busch Co., Inc. ("Busch")

All material intercompany balances and transactions have been eliminated. Minority interest represents minority shareholders' proportionate share of the equity in CFI.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

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

Cash and cash equivalents - The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments in marketable securities - The Company's investments in marketable securities are comprised of corporate common stock securities. All 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 investment income. Realized gains and losses are recorded based on the specific identification method. Gross unrealized gains included in marketable securities at December 31, 2000 and 1999 were $355,300 and $270,348, respectively.

Inventories - The labor content of work-in-process and finished products and all inventories of steel of K&B (approximately 63% and 68% of total inventories at December 31, 2000 and 1999, respectively) are valued at the lower of cost or market using the last-in, first-out (LIFO) method. All other inventories of K&B and inventories of the other subsidiaries are valued at the lower of cost or market, using the first-in, first-out (FIFO) method. The LIFO method of inventory valuation for all classes of inventory approximated the FIFO value at December 31, 2000 and 1999.

1. Nature of Business and Summary of Significant Accounting Policies - Continued

Accounting for long-lived assets - The Company's 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 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 - Goodwill associated with the CFI and Busch acquisitions is being amortized on a straight-line basis over 40 years, and 20 years for the K&B acquisition. Other intangible assets are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 20 years.

Deferred charges - Deferred charges primarily represent deferred financing costs which are amortized over the life of the related loan. Amortization expense was $203,100 and $55,000 for 2000 and 1999, respectively.

Revenue recognition - Revenues are recognized when risk and title passes to the customer, which is generally upon shipment of product.

Revenues from contracts 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.

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. In the year ended December 31, 2000, the Company provided for estimated losses on uncompleted contracts of $602,000. Such provision was recorded in the three months ended December 31, 2000.

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.

SEC Staff Accounting Bulletin 101, "Revenue Recognition," effective for the year ended December 31, 2000 did not have a material effect on the consolidated financial statements.

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.

Advertising costs - Advertising costs are charged to operations in the year incurred and totaled $188,066 and $87,168 in 2000 and 1999, respectively.

Research and development - Research and development costs are charged to expense as incurred. The amounts charged to operations were $139,824 and $32,873 in 2000 and 1999, respectively.

1. Nature of Business and Summary of Significant Accounting Policies - Continued

Earnings per share - The following table represents a reconciliation from basic weighted average common shares outstanding to diluted weighted average common shares outstanding. There are no adjustments to net loss for the basic or diluted earnings per share computations.

	2000	1999
Determination of shares:		
Basic weighted average common shares outstanding	8,195,140	8,485,471
Assumed conversion of stock options and warrants	-	-
Dilutive weighted average common shares outstanding	8,195,140	8,485,471

The Company considers outstanding options and warrants in computing diluted net loss per share only when they are dilutive. Options and warrants to purchase 3,929,400 and 6,228,120 shares for the years ended December 31, 2000 and 1999, respectively, were not included in the computation of diluted earnings per share due to their having an anti-dilutive effect.

Reclassifications - Certain reclassifications have been made to the 1999 financial statements to conform with the 2000 presentation.

Stock-based compensation - The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" and continues to 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. The Company did not incur any compensation expense in 2000 or 1999.

Recent accounting pronouncements - On January 1, 2001, the Company adopted 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". SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that all derivative instruments, including those embedded in other contracts, be recognized as either assets or liabilities and that those financial instruments be measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. Management has reviewed the requirements of SFAS No. 133 and has determined that the impact of adopting SFAS No. 133 was not material to the Company's financial position, operations, or cash flows.

2. Acquisition of Businesses

On December 7, 1999, the Company purchased all of the issued stock of K&B and kbd/Technic, Inc., two companies with related ownership. The purchase price was approximately $25,000,000 plus the assumption of $5,000,000 of existing indebtedness of the companies, in addition to acquisition costs the Company incurred. The transaction was accounted for as a purchase. The aggregate purchase price of the net assets acquired was allocated to tangible and identifiable intangible assets, based upon the fair value, resulting in goodwill of $4,019,450. During the second quarter of 2000, the Company received $253,550 as a post-closing price adjustment related to this acquisition.

2. Acquisition of Businesses - Continued

On a pro forma basis, unaudited results of operations for the year ended December 31, 1999 would have been as follows, if the acquisition had been made as of January 1, 1999:

	December 31, 1999
Total revenues	$ 87,961,062
Loss from continuing operations before taxes on income and minority interest	(274,917)
Net loss	(939,340)
Basic and diluted net loss per share	(.11)

The increase in total revenues of $65,547,280 represents the inclusion of K&B and kbd/Technic, Inc. prior to the acquisition date. The increase in loss from continuing operations before taxes on income and minority interest includes pre-acquisition results from K&B and kbd/Technic, Inc. of $2,593,687 less additional interest expense of $2,587,318, which was calculated using the total borrowings and approximate interest rate on the bank credit facility at December 31, 1999. The net loss amount was adjusted for the above items at the approximate statutory tax rate.

During 1999, the Company acquired, for cash, an additional 65,800 shares of CFI's common stock from unrelated third parties resulting in additional goodwill of approximately $34,000. As of December 31, 2000 and 1999, the Company owned approximately 94% of CFI's common stock.

3. Discontinued Operations

On March 31, 1999, the Company sold the contracts and customer list of Integrated Facilities Management ("IFM"), Inc. for $250,000. The sales price was paid through a non-interest bearing promissory note from the purchaser. Monthly principal payments of $1,500 were to commence October 1, 1999 with a balloon payment for the balance due on April 1, 2007. At December 31, 2000 and 1999, the note was fully reserved.

The following is a summary of operating activity for this discontinued operation and the loss recorded in 1999 from the disposal of this operation:

	December 31, 1999
Net Sales	$ 387,656
Cost of revenues	(493,439)
Operating Expenses	(431,032)
Loss from operations of discontinued operation	(536,815)
Impairment of goodwill	(166,932)
Disposition costs	(19,543)
Loss from disposal of discontinued operation	(186,475)
Income tax benefit	179,900
Minority interest	33,989
	$ (509,401)

3. Discontinued Operations - Continued

At December 31, 1999, basic and diluted net loss per common share related to the disposal of IFM was $(0.06) of which $(0.05) related to the loss from continuing operations and $(0.01) related to the loss on disposal. At December 31, 2000, there was no impact to basic or diluted earnings per share as a result of the disposal.

4. Financial Instruments

Fair value of financial instruments:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 664,155	$ 664,155	$ 1,134,792	$ 1,134,792
Marketable securities	1,002,399	1,002,399	2,690,919	2,690,919
Financial liabilities:				
Debt obligations	26,415,849	26,415,849	27,905,039	27,845,227
Subordinated notes (convertible) (See Note 12)	3,461,026	3,461,026	3,172,695	3,172,695

The fair values of cash and cash equivalents are assumed to be equal to their reported carrying amounts. Most of the debt obligations are also assumed to be equal to their reported carrying amounts based on future payments discounted at current interest rates for similar obligations or interest rates which fluctuate with the market.

Valuations for marketable securities are determined based on quoted market prices.

The Company does not hold any financial instruments for trading purposes, other than marketable securities.

The Company is exposed to market risk from changes in interest rates. The Company's policy is to manage interest rate cost using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Company may enter into interest rate swaps or other hedge type arrangements, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The Company has entered into an interest rate swap agreement to convert variable rate debt to a fixed rate (see Note 11). The Company uses settlement accounting for the swap whereby interest payments receivable and payable under the terms of the interest rate swap agreement are accrued over the period to which the payment relates and the net difference is treated as an adjustment of interest expense related to the underlying liability. The fair value of the swap at December 31, 2000 if the Company had terminated said agreement would have been a liability of approximately $220,000.

Concentrations of credit risk:

Financial instruments that potentially subject the Company to credit risk consist principally of cash and accounts receivable. The Company maintains cash and cash equivalents with various major financial institutions. The Company performs periodic evaluations of the financial institutions in which its 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, the Company performs ongoing credit evaluations of its customers' financial condition.

5. Accounts Receivable

	2000	1999
Trade receivables	$ 3,661,932	$ 3,418,326
Contract receivables	14,034,830	13,911,213
Allowance for doubtful accounts	(324,613)	(125,000)
	$ 17,372,149	$ 17,204,539

Balances billed, but not paid by customers under retainage provisions in contracts amounted to approximately $515,000 and $95,000 at December 31, 2000 and 1999, respectively. Receivables on contracts in progress are generally collected within twelve months.

Provision for doubtful accounts was approximately $311,000 and $258,000 during 2000 and 1999, respectively.

6. Inventories

	2000	1999
Raw material and subassemblies	$1,449,725	$1,328,175
Finished goods	734,033	626,033
Parts for resale	189,053	218,802
	$2,372,811	$2,173,010

7. Costs and Estimated Earnings on Uncompleted Contracts

	2000	1999
Costs incurred on uncompleted contracts	$ 12,933,481	$ 8,684,263
Estimated earnings	2,580,548	2,582,427
	15,514,029	11,266,690
Less billings to date	(11,589,873)	(8,775,009)
	$ 3,924,156	$ 2,491,681
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 5,099,359	$ 2,951,773
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,175,203)	(460,092)
	$ 3,924,156	$ 2,491,681

8. Property and Equipment

	2000	1999
Land	$ 1,597,342	$ 1,597,342
Building and improvements	5,746,853	5,725,069
Machinery and equipment	9,711,537	9,220,480
	17,055,732	16,542,891
Less accumulated depreciation	(3,468,881)	(2,298,434)
	$ 13,586,851	$ 14,244,457

Depreciation expense was $1,180,931 and $316,941 for 2000 and 1999, respectively.

9. Goodwill and Other Intangible Assets

	2000	1999
Goodwill	$ 9,456,359	$ 9,555,970
Less accumulated amortization	(977,616)	(638,680)
	$ 8,478,743	$ 8,917,290
Non-compete agreements	$ 700,000	$ 500,000
Patents	1,345,965	1,340,433
Tradename and workforce	3,150,000	3,150,000
	5,195,965	4,990,433
Less accumulated amortization	(1,046,968)	(615,363)
	$ 4,148,997	$ 4,375,070

Amortization expense was $770,541 and $357,392 for 2000 and 1999, respectively.

10. Accounts Payable and Accrued Expenses

	2000	1999
Trade accounts payable	$ 7,002,694	$ 4,763,219
Compensation and related benefits	1,491,099	1,985,302
Other accrued expenses	3,314,389	2,937,417
	$11,808,182	$ 9,685,938

11. Debt

	2000	1999
Bank credit facility	$ 26,223,386	$ 26,673,384
Pennsylvania Industrial Development Authority	192,463	219,263
Loan payable to Green Diamond Oil Corporation	--	800,000
Other	--	212,392
	26,415,849	27,905,039
Less current portion	(3,775,662)	(2,788,054)
	$ 22,640,187	$ 25,116,985

In December 1999, the Company obtained a bank credit facility aggregating $33,000,000 consisting of $23,000,000 in term loans and a $10,000,000 revolving credit line. Interest is charged based on the bank's prime or the Libor rate. The proceeds of the credit facility were used to finance the acquisition of K&B and kbd/Technic, Inc. (see Note 2). The proceeds of the subordinated notes (see note 12) were used to refinance CFI's existing indebtedness and working capital.

The revolving credit facility permits borrowings of up to the lesser of 1) $10,000,000 less outstanding letters of credit, or 2) borrowings which are limited to 75% of eligible accounts receivable, plus 50% of eligible inventory, minus outstanding letters of credit. Amounts unused and available under this line were $5,027,000 and $6,327,000 at December 31, 2000 and 1999, respectively. Amounts borrowed under this line were approximately $4,973,000 and $3,673,000 at December 31, 2000 and 1999, respectively. The line of credit matures in 2004. The weighted average interest rates were 10.02% and 9.4% at December 31, 2000 and 1999, respectively.

The term loans consist of a $14,500,000 and an $8,500,000 term facility with quarterly principal installments on the $14,500,000 facility of $437,500 commencing February 28, 2000, increasing to $700,000 in 2002, $875,000 in 2003 and $1,175,000 in 2004 with the final payment due November 2004; and quarterly principal installments on the $8,500,000 of $1,375,000 commencing February 2005 increasing to $1,500,000 in 2006 with the final payment due May 2006. The amount borrowed under the term loans were $21,250,000 and $23,000,000 at December 31, 2000 and 1999, respectively. The weighted average interest rates were 9.9% and 9.7% at December 31, 2000 and 1999, respectively.

The credit facility was amended in March 2001 and effective December 31, 2000 by reducing minimum coverage under several financial covenants as of December 31, 2000 and for the four quarters in 2001, raising interest rates by .5%, and reducing the total amount available under the revolving line to $9 million. Additionally, the Company is required to make additional prepayments against the term loans of $.5 million by June 30, 2001 and September 30, 2001 and $1 million by December 31, 2001. In consideration for this amendment, additional fees were paid to the bank group and additional fees are payable to the bank group unless the Company raises additional capital by a specified time period. The Company agreed to pledge its Peerless Manufacturing Company common stock as additional collateral and proceeds thereof will be applied against the additional prepayments to reduce the principal balance under the term loan portion of the facilities. The Company would not have been in compliance with the financial covenants had the amendment not been made.

In April 1992, the Company obtained a loan through the Pennsylvania Industrial Development Authority which is collateralized by a mortgage on the land and building of CFI. Principal and interest, at an annual rate of 3%, is paid quarterly over an amortization period of fifteen years ending in 2006.

The debt financing obtained to purchase the Peerless common stock from Green Diamond Oil Corp. at an annual rate of 10% was paid during 2000. In connection with this financing, the stock warrants were issued to Green Diamond Oil Corp. to purchase 1 million shares of the Company's stock at an exercise price of $2.50 per share (market value at time of issuance), expiring in August 2009. The warrants were cancelled by the holder in September 2000. See note 13.

Other includes notes payable with weighted average interest rate of 7.48% at December 31, 1999.

11. Debt - Continued

At December 31, 2000, the Company had in place an interest rate swap agreement ("Swap"). The Swap had a notional amount of $10,625,000 under which the Company paid a fixed rate of interest and received a floating rate of interest over the term of the Swap. The Swap converted a portion of the credit facility from a floating rate obligation to a fixed rate obligation.

Maturities of all long-term debt over the next five years after considering the amendment to the bank credit facility in March 2001, are estimated as follows:

2001	$3,775,662
2002	2,825,662
2003	3,525,662
2004	15,199,047
2005	1,025,662

The Company's property and equipment, accounts receivable, investments and inventory serve as collateral for its bank debt. The Company's debt agreements contain customary covenants and events of default.

12. Subordinated notes (convertible)

During December 1999, as part of the Company's refinancing activities (that were accomplished at the same time as the acquisition of K&B and kbd/Technic), the Company obtained $4,000,000 of subordinated debt financing from Can-Med Technology, Inc., dba Green Diamond Oil Corp., a company beneficially owned by two major shareholders of the Company. In addition, the Company obtained $1,000,000 of subordinated debt financing with two unrelated parties. Interest on the notes accrue semi-annually at a rate of 12% per annum. The notes are subject to a subordination agreement. The notes provide for the issuance to the holders detachable stock warrants that expire December, 2009 (see Note 13). The fair value of the warrants was determined to be $1,847,000 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 coincides with the bank's term loan maturity date of May, 2006. The amortization of the discount was approximately $288,000 and $20,000 for the years ended December 31, 2000 and 1999, respectively. The effective annualized interest rate on the subordinated debt obligations is 17.75%, after taking into account the value of the warrants.

In March 2001, subordinated debt notes were amended granting the Company the option to convert the unpaid principal balance (and accrued but unpaid interest) into shares of common stock at the initial conversion price of $2 per share. The conversion price is subject to adjustment upon the occurrence of certain corporate events.

13. Shareholders' Equity

Stock Option Plan

The Company maintains a stock option plan for the employees of the Company and its subsidiaries. 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 of the date of grant. There are 1,500,000 shares of the Company's common stock that have been reserved for issuance under this plan.

13. Shareholders' Equity - Continued

The status of the Company's stock option plan is as follows:

	2000 Shares	2000 Weighted Average Exercise Price	1999 Shares	1999 Weighted Average Exercise Price
Outstanding, beginning of year	268,120	$ 4.56	312,320	$ 4.46
Granted	130,000		--	
Forfeited	(243,720)		(44,200)	
Outstanding, end of year	154,400	2.89	268,120	4.56
Options exercisable at year end	23,640		86,190	
Available for grant at end of year	1,345,600		1,231,880	

At December 31, 2000, exercise prices for the above options range from $2.06 to $3.88. The weighted average remaining life is approximately 9 years. The weighted average exercise price of the options exercisable at December 31, 2000 is $3.88.

The following table compares 2000 and 1999 results as reported to the pro forma results, considering both options and warrants discussed in the following paragraphs, had the Company adopted the expense recognition provision of SFAS No. 123:

	2000	1999
Net loss		
As reported	$ (689,924)	$ (943,161)
Pro forma under SFAS No. 123	(1,543,306)	(2,108,408)
Basic and diluted loss per share		
As reported	(0.08)	(.11)
Pro forma under SFAS No.123	(0.19)	(0.25)

The fair value of the options and warrants granted, which is amortized to expense over the option vesting period in determining the proforma impact, 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 2000 and 1999 is 10 years. The risk free interest rate applicable for 2000 and 1999 is 6.5%. The expected volatility of the Company's stock used in 2000 and 1999 is .75. The expected dividend yield used in 2000 and 1999 is 0%.

The weighted average fair values at the date of grant for options and warrants granted during 2000 and 1999 were $1.79 and $2.45, respectively.

Employee Stock Purchase Plan

Effective October 1, 1998, the Company established an Employee Stock Purchase Plan for all employees meeting certain eligibility criteria. Under the Plan, eligible employees may purchase through the initial twelve month offering and through a series of semiannual offerings, each October and April, commencing October 1, 1999, shares of the Company's common stock, subject to certain limitations. The purchase price of each share is 85% of the lesser of its fair market value on the grant date or on the exercise date. The aggregate number of whole shares of common stock allowed to be purchased under the option shall not exceed 10% of the employee's base compensation. At December 31, 1998, 250,000 shares were available for purchase under the plan. During 2000, the Company issued 16,401 shares under this plan at an amount that approximated fair value. There were no shares issued during 1999.

Warrants to Purchase Common Stock

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 the Company's 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.

13. Shareholders' Equity - Continued

Related Party and Other:

In December, 1999, warrants were issued to the subordinated lenders (see Note 12) to purchase up to 1,000,000 shares of the Company's common stock for $2.25 per share which was the fair market value on the date granted. The warrants are exercisable from June, 2000 until December, 2009. In connection with such warrants, the subordinated lenders were granted certain registration rights with respect to their warrants and shares of the Company's common stock into which the warrants are convertible. Management of the Company valued the detachable stock warrants at $1,847,000 and discounted the subordinated debt obligations by such amount (see Note 12)and recorded additional capital in excess of par value at December 31, 1999.

In August, 1999, warrants were issued to Green Diamond Oil Corp. in connection with the demand note of $800,000 (see Note 11) to purchase up to 1,000,000 shares of the Company's common stock for $2.50 per share, which was the fair market value on the date granted. Management of the Company valued the detachable stock warrants at $577,000 and discounted the demand note by such amount and recorded interest expense and additional capital in excess of par value at December 31, 2000. Management of the Company and the holder of the warrants believed that the inherent interest rate resulting from the valuation was higher than originally contemplated when the transaction was structured and therefore, in September 2000, the holder cancelled the warrants after repayment of the debt.

Chief Executive Officer:

In January, 1999 and 1998, warrants were issued to the Chief Executive Officer to purchase 500,000 and 250,000 shares of the Company's common stock at an exercise price of $3.00 and $2.75 per share, respectively. In September 1998, warrants were issued to the Chief Executive Officer to purchase 250,000 shares of the Company's common stock. These warrants have an exercise price of $1.625 per share. In August 2000, warrants were issued to the Chief Executive Officer to purchase 500,000 shares of the Company's common stock at an exercise price of $2.06 per share. The warrants expire 10 years from the date of issuance.

Consulting Agreement:

In November, 1998, the Company entered into a one year consulting agreement with an option to renew for an additional year with unrelated third parties, to provide investor relations services to the Company. As compensation, the consultant received warrants to purchase 500,000 shares of the Company's common stock at $2 per share for the first 250,000 shares and $3 per share for the remaining 250,000 shares. In connection with this transaction, warrants were issued to an unrelated third party to purchase 700,000 shares of the Company's common stock at $2 per share for the first 450,000 shares and $3 per share for the remaining 250,000 shares. All such warrants expired without being exercised in November 2000. The value of the warrants was considered to be de minimis.

Stock Options:

In June, 1998, the Company granted options to a member of the Board of Directors to purchase 10,000 shares of the Company's common stock at $2.75 per share. The options became exercisable on February 1, 1999 and extend through June 30, 2008.

In January 2000, the Company granted options to an officer of the Company to purchase 50,000 shares of its common stock at $2.50 per share. The options become exercisable at the rate of 20% per year over five years following January 2000. The options have a term of ten years.

In April 2000, the Company granted options to certain key employees to purchase 75,000 shares of its common stock at $2.625 per share. The options become exercisable at the rate of 20% per year over five years following April 2000. The options have a term of ten years.

In September 2000, the Company granted options to a member of the Board of Directors to purchase 5,000 shares of the Company's common stock at $2.0625 per share. The options become exercisable on March 18, 2001 and extend through September 18, 2010.

14. Pension and Employee Benefit Plans

K&B sponsors 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.

K&B also sponsors a post-retirement health care plan for office employees. Effective January 1, 1990, the plan was amended and retirees after that date are not eligible to receive benefits under the plan. The plan allows retirees who have attained the age of 65 to elect the type of coverage desired.

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Projected benefit obligation at beginning of year	$ 3,743,941	$ 3,255,529	$ 729,547	$ 783,536
Service cost	103,845	109,099	--	--
Interest cost	253,238	249,270	45,697	51,348
Actuarial (gain)/loss	(102,930)	157,099	(26,666)	--
Amendments	--	105,613	--	--
Benefits paid	(254,341)	(132,669)	(98,164)	(105,337)
Projected benefit obligation at end of year	3,743,753	3,743,941	650,414	729,547
Fair value of plan assets at beginning of year	3,699,345	2,959,800	--	--
Actual return/(loss) on plan assets	(152,458)	772,214	--	--
Employee contribution	--	100,000	--	--
Benefits paid	(254,341)	(132,669)	--	--
Fair value of plan assets at end of year	3,292,546	3,699,345	--	--
Funded status	(451,207)	(44,596)	(650,414)	(729,547)
Unrecognized prior service cost	64,434	70,378	--	--
Net transition obligation	--	(37,900)	--	--
Unrecognized net actuarial loss (gain)	408,438	52,751	(26,666)	--
Prepaid (accrued) benefit cost	$ 21,665	$ 40,633	$ (677,080)	$ (729,547)
Amounts recognized in the balance sheet consist of:				
Prepaid benefit cost	$ 21,665	$ 40,633	$ --	$ --
Accrued benefit liability	(121,085)	--	(677,080)	(729,547)
Intangible asset included in deferred charges and other assets	64,434	--	--	--
Accumulated other comprehensive income	56,651	--	--	--
Net amount recognized	$ 21,665	$ 40,633	$ (677,080)	$ (729,547)
Weighted-average assumptions of December 31:				
Discount rate	7%	7%	7%	7%
Expected return on plan assets	8.5%	8.5%	N/A	N/A

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

14. Pension and Employee Benefit Plans - Continued

The details of net periodic benefit cost included in the accompanying consolidated statements of income for the years ended December 31, 2000 and 1999 are as follows:

	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Service cost	$ 103,845	$ 109,099	$ --	$ --
Interest cost	253,238	249,270	45,697	51,348
Expected return on plan assets	(308,022)	(245,501)	--	--
Net amortization and deferral	(30,093)	(17,820)	--	--
Net periodic benefit cost	$ 18,968	$ 95,048	$ 45,697	$ 51,348

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

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

Amounts charged to pension expense under the above plans including the multi-employer plans totaled $2,262,000 and $107,000 for 2000 and 1999, respectively.

K&B also sponsors a profit sharing and 401(k) savings retirement plan for non-union employees. The plan covers substantially all employees who have completed one year of service, completed 1,000 hours of service and who have attained 21 years of age. The Plan allows K&B to make discretionary contributions and provides for employee salary derrerals of up to 15%. K&B provides matching contributions of 25% of the first 5% of employee contributions. Matching contributions and discretionary contributions were $386,000 and $31,000 during 2000 and 1999, respectively.

CFI has a 401(k) Savings and Retirement Plan which covers substantially all employees. Under the terms of the Plan, employees can contribute between 1% and 22% of their annual compensation to the Plan. CFI matches 50% of the first 6%. Plan expense for the years ended December 31, 2000 and 1999 was $62,835 and $72,000, respectively.

CFI also has a profit-sharing plan which covers substantially all employees. There were no contributions to the plan for 2000 and 1999.

15. Commitments

Rent

The Company leases certain facilities on a year-to-year basis. The Company also has future annual minimum rental commitments under noncancellable operating leases as follows:

2001	$304,212
2002	188,594
2003	146,035
2004	93,431
2005	53,521

The Company leases a facility from the former President and chief operating officer of Busch who is the beneficial owner of the property with an annual base rental of $83,000 expiring July, 2002.

Total rent expense under all operating leases for 2000 and 1999 was $382,000 and $340,000, respectively.

Non-Compete Agreement

In connection with the acquisition of Busch, the Company entered into a non-compete agreement with a former shareholder of Busch. In addition to the $100,000 paid at the closing date, the agreement requires annual payments of $200,000 from 1998 through 2001. The related cost is being amortized ratably over the four-year period. The Company has an additional payment to the former shareholder of Busch due January 2002 of $450,000 for consulting services for a two-year period.

Employment Agreements

In December 1999, Group and K&B entered into five-year employment agreements with three of the former owners of K&B. The agreements provide for agreed-upon annual salaries and a bonus, for each of the next five years, equal to 25% of the Company's earnings before interest and taxes in excess of $4,000,000 less contributions made by the Company on behalf of the former owners to any profit sharing or 401(k) plan.

16. Income Taxes

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

	2000	1999
Current:		
Federal	$ 215,663	$ 127,374
State	66,971	68,088
	282,634	195,462
Deferred:		
Federal	(449,087)	(9,600)
State	(137,295)	(34,500)
	(586,382)	(44,100)
	$(303,748)	$ 151,362

16. Income Taxes - Continued

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

	2000	1999
Tax benefit at statutory rate	$(350,981)	$ (95,637)
Increase (decrease) in tax resulting from:		
State income tax, net of federal benefit	(46,414)	22,391
Permanent differences, principally goodwill and interest	94,075	255,277
Over/under accrual of prior years' taxes	(428)	18,260
Other	--	(48,929)
	$(303,748)	$ 151,362

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:

	2000	1999
Current deferred tax assets attributable to:		
Accrued expenses	$ 609,026	$ 490,600
Deferred state taxes	289,900	--
Reserves on assets	224,482	122,400
Federal net operating loss carryforwards	--	34,600
Current deferred tax asset	1,123,408	647,600
Noncurrent deferred tax assets (liabilities) attributable to:		
Depreciation	(3,913,408)	(3,761,296)
Goodwill and intangibles	(1,335,840)	(1,305,400)
Inventory	(942,166)	(876,434)
Unrealized gain on marketable securities	(152,779)	(108,000)
Accrued expenses	619,480	359,729
Non-compete agreement	222,167	142,700
Reserves on assets	--	73,600
Foreign interest accrual	154,800	--
State net operating loss carryforwards	83,819	208,300
Valuation allowance	--	(107,700)
Net noncurrent deferred tax liability	(5,263,927)	(5,374,501)
Net deferred tax liability	$(4,140,519)	$(4,726,901)

The Company had federal net operating loss carryforwards of $79,000 at December 31, 1999, which were utilized in 2000. Additionally, the Company has state net operating loss carryforwards of $3,644,038 and $2,800,000, at December 31, 2000 and 1999, respectively, which begin to expire in 2001.

Due to the uncertainty of the realization of certain tax carryforwards, the Company had established a valuation allowance against these carryforward benefits in the amount of $107,700 at December 31, 1999. The Company's net decrease of $107,700 in valuation allowance resulted from the taxable income generated in 2000.

The Company files a consolidated federal income tax return.

18. Backlog of Uncompleted Contracts from Continuing Operations

The Company's backlog of uncompleted contracts from continuing operations was $12,119,000 and $9,901,000, at December 31, 2000 and 1999, respectively.

19. Segment and Related Information

The Company has two reportable segments: Systems and Media. The Systems segment assembles and manufactures ventilation, environmental and process-related products. The Company provides standard and engineered systems and filter media for air quality improvement through its Media segment.

Included in the "Corporate and other" category are the corporate functional departments plus the discontinued operations disposed of in 1999.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

	SYSTEMS	MEDIA	CORPORATE AND OTHER	ELIMINATION OF INTER-SEGMENT ACTIVITY	TOTAL CONSOLIDATED
2000					
Total revenues	$ 84,354,965	$ 6,481,399		$ (1,019,535)	$ 89,816,829
Depreciation and amortization	1,298,518	226,937	$ 629,117		2,154,572
Operating income (loss)	4,298,960	(344,757)	(1,968,416)	24,000	2,009,787
Net costs and estimated earnings in excess of billings on uncompleted contracts	3,924,156				3,924,156
Total assets, net of inter-segment receivables	42,744,626	15,496,985	4,902,745	(7,248,551)	55,895,805
Capital expenditures	458,163	39,289	62,311		559,763
1999					
Total revenues	15,134,547	7,716,934	48,582	(486,281)	22,413,782
Depreciation and amortization	358,041	219,864	151,428		729,333
Operating income (loss)	274,491	359,658	(192,578)		441,571
Net costs and estimated earnings in excess of billings on uncompleted contracts	2,491,681				2,491,681
Total assets, net of inter-segment receivables	41,865,528	14,371,892	5,720,458	(5,509,951)	56,447,927
Capital expenditures	12,258	153,026	274,560		439,844

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On September 28, 2000, the Company dismissed the firm of Margolis Company P.C. ("Margolis") as the principal independent accountant. Also on September 28, 2000, the Board approved and the Company engaged the firm of Deloitte & Touche LLP to serve as its principal independent accountant. In connection with the audits of the two fiscal years ended December 31, 1999 and 1998, and during subsequent interim periods, there were no disagreements on any matters of accounting principles or practices, financial statement disclosure, or auditing scope or procedures which, if not resolved to the satisfaction of Margolis, would have caused Margolis to make reference to the matter in its report.

PART III

Item 9. Directors and Executive Officers of the Registrant; Compliance with Section 16(a) of the Exchange Act

The following are the directors and executive officers of the Company. The terms of all directors expire at the next annual meeting of shareholders and upon election of their successors. 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.

Name	Age	Position
David D. Blum	45	Senior Vice President-Sales and Marketing; Assistant Secretary
Richard J. Blum	54	Director; President
Jason Louis DeZwirek	30	Director; Secretary
Phillip DeZwirek	63	Chairman of the Board of Directors; Chief Executive Officer
Josephine Grivas	61	Director; Assistant Secretary
Marshall J. Morris	41	Vice President-Finance and Administration; Chief Financial Officer
Donald Wright	63	Director

The business backgrounds during the past five years of the Company's directors and officers are as follows:

David D. Blum became the Senior Vice President-Sales and Marketing and an Assistant Secretary of the Company on July 1, 2000. 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.

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 since February 28, 1975 and the Chairman and a director of kbd/Technic since November 1988. Kirk & Blum and kbd/Technic were acquired by the Company on December 7, 1999. Mr. Richard Blum is the brother of Mr. David 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, following the resignation of Josephine Grivas as Secretary. Mr. DeZwirek from October 1, 1997, has also been a member of the Committee that was established to administer the Company'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 President of kaboose.com Inc., a company that owns a children's portal.

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 Filters (since 1985); Treasurer and Assistant Secretary of CECO Group (since December 10, 1999); a director of Kirk & Blum and kbd/Technic (since 1999); and President of Can-Med Technology, Inc. d/b/a Green Diamond Corp. ("Can-Med") (since 1990). Mr. DeZwirek has also been involved in private investment activities for the past five years. CECO Group, Kirk & Blum, kbd/Technic and Filters are discussed elsewhere in this document. See Item 1 - Business.

Josephine Grivas has been a director of the Company since February, 1991 and the Assistant Secretary since July 1, 2000. She was its Secretary from October, 1992 until she resigned as of February 2, 1998. Ms. Grivas has since October 1, 1997, also been a member of the Committee that was established to administer the Company's stock option plan. She is also one of the initial administrators of the CECO Environmental Corp. 1999 Employee Stock Purchase Plan. Since February 20, 1998, Ms. Grivas has been a member of the Audit Committee, which was created to evaluate transactions where the potential for a conflict of interest exists and such other matters that are properly referred to the Audit Committee by the Board of Directors. Ms. Grivas had been an administrative assistant for Phillip DeZwirek since 1975. She retired from this position in February, 1998.

Marshall J. Morris became the Chief Financial Officer of the Company on January 26, 2000 and the Vice President-Finance and Administration on July 1, 2000. Mr. Morris also serves as Chief Financial Officer of CECO Group (since January 26, 2000). From 1996 to 1999 Mr. Morris was Treasurer of Calgon Carbon Corporation which stock trades on the New York Stock Exchange and which is a worldwide producer of specialty chemicals and supplier of pollution control technologies and services with annual sales of approximately $300 million. From 1995 to 1996 he served as a consultant with respect to business management and strategic planning. From 1989 through 1995 Mr. Morris also served as the Treasurer of Trico Products Corporation, an international manufacturer and distributor of original equipment automotive parts with annual sales of approximately $350 million.

Donald A. Wright became a director of the Company on February 20, 1998. Mr. Wright has also been a member of the Audit Committee since February 20, 1998. He is also one of the initial administrators of the CECO Environmental Corp. 1999 Employee Stock Purchase Plan. Mr. Wright has been a principal of and real estate broker with The Phillips Group in San Diego, California, a company which is a real estate developer and apartment building syndicator, since 1992. Since November 1996, Mr. Wright has also been a real estate broker with Prudential Dunn Realtors in Pacific Beach, California. From August 1995 until October 1996 he was the principal of and real estate broker with Barbour Real Estate Sales and Leasing in La Costa, California.

During the fiscal year ended December 31, 2000, the Board held no meetings. During and since the end of such period, action has been taken by unanimous written consent of the Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance. The Company is not aware of any persons who beneficially own or owned more than 10 percent of the outstanding common stock of the Company or any officer, director or other person subject to the requirements of Section 16 of the Securities Exchange Act of 1934 who, during the period covered by this Annual Report on Form 10-K, failed to file, or failed to file on a timely basis, any reports or forms required to be filed under said Section 16 or the rules and regulations promulgated thereunder.

Item 10. Executive Compensation

Except for the compensation described below, neither the Company nor any of its subsidiaries paid, set aside or accrued any salary or other remuneration or bonus, or any amount pursuant to a profit-sharing, pension, retirement, deferred compensation or other similar plan, during its last fiscal year, to or for any of the Company's executive officers or directors.

Warrants

In consideration for Phillip DeZwirek's valuable service to the Company as an employee, officer and director, the Company granted Mr. DeZwirek warrants on August 14, 2000 to purchase up to 500,000 shares of the Company's common stock, which are exercisable at any time between February 14, 2001 and August 14, 2010 inclusive at a price of $2.0625, the closing price of the Company's common stock on August 14, 2000. All of such warrants grant the holders thereof piggyback registration rights, i.e. the right to participate in any registration of securities by the Company other than a registration statement in connection with a merger or pursuant to registration statements on Forms S-4 or S-8. Additionally, the holders of a majority of the shares underlying the warrants and the warrants have the right on two occasions to have the Company prepare and file with the Securities and Exchange Commission a registration statement and such other documents as may be necessary for such holders to effect a public offering of the shares underlying the warrants previously issued or to be issued upon the effectiveness of such registration statement. The Company is however required to pay the expenses of only one of such registrations. The right to demand such registrations expires August 14, 2010, or upon the happening of certain other conditions.

Compensation

In the year 2000, options to purchase 130,000 shares of stock of the Company were granted under the CECO Environmental Corp. 1997 Stock Option Plan (the "Plan").

On January 20, 2000, Marshall J. Morris, in consideration for his valuable services as an executive officer was granted an option under the Plan to purchase up to 50,000 shares of stock of the Company. The option became exercisable with respect to 10,000 of the 50,000 shares on January 20, 2001 and provided Mr. Morris' employment with the Company or any subsidiary of the Company remains continuous and becomes exercisable with respect to another 20% of the 50,000 shares on each of the next four anniversaries of such date. The exercise price per share is $2.50, the fair market value of the stock of the Company as of the date of the grant. On September 18, 2000, Donald A. Wright, in consideration for his valuable services as a director of the Company, was granted an option under the Plan to purchase up to 5,000 shares of stock of the Company. The option is exercisable on March 18, 2001 and expires on September 18, 2010. The exercise price per share is $2.0625, the fair market value of the stock of the Company as of the date of the grant.

On September 21, 1999, the Board of Directors of the Company adopted the CECO Environmental Corp. 1999 Employee Stock Purchase Plan (the "Stock Plan") which was approved by the stockholders on November 16, 1999. Sixteen thousand four hundred and one (16,401) shares of stock have been issued as of March 20, 2001 under the Stock Plan, 2,188 of which have been issued to Mr. Richard Blum, and 1,636 of which have been issued to Mr. David Blum. No other shares of stock under the Stock Plan have been issued to an executive officer or director of the Company.

The following table summarizes the total compensation of Phillip DeZwirek, Richard J. Blum, David D. Blum and Marshall J. Morris for 2000 and the two previous years. There were no other executive officers of the Company who received compensation in excess of $100,000 in 2000. Richard J. Blum, who also serves as Chief Executive Officer and President of CECO Group, is paid the amounts set forth below by CECO Group. Mr. DeZwirek and Mr. Morris are paid by the Company. David D. Blum, who also serves as Vice-President of Kirk & Blum, is paid by Kirk & Blum.

SUMMARY COMPENSATION TABLE FOR THE COMPANY:

Name/Principal Position	Year	Annual Compensation Salary	Bonus	Long Term Compensation Options (#)	All Other Compensation
Phillip DeZwirek	2000	$120,834		500,000(1)	
Chairman of the Board and	1999	$100,000		500,000(2)	
Chief Executive Officer	1998	$ 80,000		500,000(3)	
Richard J. Blum President of	2000	$206,000	$122,224		$19,883(4)
the Company and President and Chief Executive Officer of CECO Group	1999	$ 13,972(5)		448,000(6)	
David D. Blum	2000	$154,000	$ 76,388		$10,873(7)
Senior Vice-President-Sales and Marketing and Assistant Secretary of the Company and Vice President of Kirk & Blum	1999	$ 10,548(8)		335,000(9)	
Marshall J. Morris Vice President - Finance and Administration and Chief Financial Officer	2000	$133,211		50,000(10)	$22,040(11)

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(1) Represents 500,000 Warrants issued to Phillip DeZwirek on August 14, 2000.
(2) Represents 500,000 Warrants issued to Phillip DeZwirek on January 22, 1999.
(3) Represents 250,000 Warrants issued on January 14, 1998 and 250,000 Warrants issued on September 14, 1998.
(4) Represents Company contribution of $18,315 to 401(k) plan on behalf of Mr. Richard Blum and $1,568 of insurance premiums paid by the Company for term life insurance for the benefit of Mr. Richard Blum.
(5) Based on an annual salary of $206,000; Mr. Richard Blum commenced employment with CECO Group on December 7, 1999.
(6) Represents Warrants to purchase 448,000 shares of the Company's stock granted in Mr. Richard Blum's Employment Agreement. Such Warrants become exercisable at the rate of 25% per year over the four years following December 7, 1999 at a price per share of $2.9375.
(7) Represents Company contribution of $10,134 to 401(k) plan on behalf of Mr. David Blum and $740 of insurance premiums paid by the Company for term life insurance for the benefit of Mr. David Blum.
(8) Based on an annual salary of $154,000; amount shown is from December 7, 1999, the date CECO Group acquired Kirk & Blum.
(9) Represents Warrants to purchase 335,000 shares of the Company's stock granted in Mr. David Blum's Employment Agreement. Such Warrants become exercisable at the rate of 25% per year over the four years following December 7, 1999 at a price per share of $2.9375.
(10) Represents Options to purchase 50,000 share of the Company's stock granted on January 20, 2000.
(11) Represents Company contribution of $436 to 401(k) plan on behalf of Mr. Morris, $284 of insurance premiums paid by the Company for term life insurance for the benefit of Mr. Morris and $21,320 of reimbursement of relocation expenses.

Richard J. Blum entered into an Employment Agreement dated December 7, 1999 with Ceco Group. The Employment Agreement has a term through December 7, 2004. Either party may terminate the Employment Agreement for cause. Mr. Richard Blum's base salary is set at $206,000 per year. In addition to his base salary, Mr. Richard Blum is entitled to a bonus, depending upon whether the Company exceeds certain targets, and four weeks paid vacation.

David D. Blum entered into an Employment Agreement dated December 7, 1999 with Kirk & Blum. The Employment Agreement has a term through December 7, 2004. Either party may terminate the Employment Agreement for cause. Mr. David Blum's base salary is set at $154,000 per year. In addition to his base salary, Mr. David Blum is entitled to a bonus, depending upon whether the Company exceeds certain targets, and four weeks paid vacation.

The following tables set forth information with respect to the Company's executive officers concerning grants and exercises of options on stock of the Company during the last fiscal year and unexercised options on stock of the Company held as of the end of the fiscal year.

OPTION/SAR GRANTS BY THE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 2000:

Name	Number of Securities Underlying Options Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price ($/SH)	Expiration Date
Phillip DeZwirek	500,000	80%	$2.0625	Aug. 14, 2010
Marshall J. Morris	50,000	8%	$2.50	Jan. 20, 2010

AGGREGATED OPTION/SAR ON THE COMPANY
EXERCISES FOR THE YEAR ENDED DECEMBER 31, 2000
AND OPTION/SAR VALUES ON THE COMPANY AS OF DECEMBER 31, 2000:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/00		Value of Unexercised In-the-Money Options/SARs at 12/31/00	
			Exerciseable	Unexercisable	Exerciseable	Unexercisable
Phillip DeZwirek	0	0	1,750,000	500,000	$0	$0
Richard J. Blum	0	0	112,000	336,000	$0	$0
David D. Blum	0	0	83,750	251,250	$0	$0
Marshall J. Morris	0	0	10,000	40,000	$0	$0

The following table summarizes the total compensation of the former Chief Executive Officer of CECO Filters, Inc. for 2000 and the two previous years.

SUMMARY COMPENSATION TABLE FOR FILTERS:

Name/Principal Position	Annual Compensation Year	Salary	All Other Compensation
Steven I. Taub, Ph.D./	2000	$123,318(1)	$83,928(2)
President and	1999	$247,603	$ 5,000
Chief Executive	1998	$240,740	$ 4,750
Officer			

Steven Taub's employment with Filters was terminated as of June 30, 2000 pursuant to a Separation Agreement and General Release (the "Agreement"). Under the terms of the Agreement Mr. Taub agrees that for a period commencing on June 30, 2000 and continuing until October 28, 2001, Mr. Taub will not, within the continental United States, directly or indirectly engage in certain competitive businesses. If Mr. Taub is presented with or finds an opportunity for the Company or its affiliates at any time within one year from October 28,2000, Mr. Taub must first present such opportunity to the Company. In addition, all options to purchase stock of the Company held by Mr. Taub were terminated as of June 30, 2000.

The Company, pursuant to the Agreement, purchased on July 5, 2000, all of Mr. Taub's stock of the Company, aggregating 441,297 shares for $2.125 per share and 124,703 shares of Hilary Taub's, Mr. Taub's former wife, stock of the Company, aggregating 124,703 shares for $2.125 per share. In addition, through October 28, 2000, Mr. Taub was paid $678.37 per day from Filters. Filters also agreed to pay all of Mr. Taub's major medical insurance costs through October 28, 2000.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth the name and address of each beneficial owner of more than five percent (5%) of the Company's common stock known to the Company, the number of shares of common stock of the Company beneficially owned as of March 22, 2001, and the percent of the class so owned by each such person.

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(1) $112,500 is allocated to base salary and the remainder to an IRA contribution, automobile allowance and insurance premiums, all of which items Dr. Taub pays for directly.

(2) Represents $2,524 of a matching contribution by Filters to Filters' 401(k) Plan on behalf of Dr. Taub and $81,404 in severance pay.

Name and Address of Beneficial Owner	No. of Shares of Common Stock Beneficially Owned	% of Total Common Shares Outstanding(1)
Icarus Investment Corp.(2,6) 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1X3	2,134,360	24.60%
Phillip DeZwirek(2,3,4) 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1P7	4,508,557	41.26%
IntroTech Investments, Inc.(5) 195 Hillsdale Avenue East Toronto, Ontario M5S 1T4	1,598,666	20.30%
Jason Louis DeZwirek(2,5) 195 Hillsdale Avenue East Toronto, Ontario M5S 1T4	3,733,026	43.03%
Brinker Pioneer, L.P. 259 Radnor-Chester Road Radnor, PA 19087	580,266	7.37%
Can-Med Technology, Inc.(6) d/b/a Green Diamond Corp. 505 University Ave. Ste. 1400 Toronto, Ontario Canada M5G 1X3	800,000	9.22%

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(1) Based upon 7,875,872 shares of common stock of the Company outstanding as of March 22, 2001. For each named person, this percentage includes Common Stock of which such person has the right to acquire beneficial ownership either currently or within 60 days of March 22, 2001, including, but not limited to, upon the exercise of an option; however, such Common Stock shall not be deemed outstanding for the purpose of computing the percentage owned by any other person.

(2) Icarus Investment Corp. ("Icarus") is owned 50% by Phillip DeZwirek and 50% by Jason Louis DeZwirek. Ownership of the shares of common stock of the Company owned by Icarus Investment Corp. also are attributed to both Messrs. Phillip DeZwirek and Jason Louis DeZwirek. With respect to the shares owned by Icarus, Icarus has sole dispositive and voting power and Phillip DeZwirek and Jason Louis DeZwirek are deemed to have shared voting and shared dispositive power.

(3) Phillip DeZwirek is the Chief Executive Officer and Chairman of the Board of Directors of the Company.

(4) Includes (i) 750,000 shares of the Company's common stock that Phillip DeZwirek can purchase on or prior to November 7, 2006 from the Company at a price of $1.75 per share pursuant to Warrants granted to Mr. DeZwirek by the Company on November 7, 1996; (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 the Company's common stock that may be purchased pursuant to Warrants granted September 14, 1998 at a price of $1.625 per share prior to September 14, 2008; (iv) 500,000 shares that may be purchased pursuant to Warrants granted to Mr. DeZwirek by the Company 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. DeZwirek by the Company August 14, 2000, which are exercisable prior to August 14, 2010 at a price of $2.0625 per share.

(5) Introtech Investments, Inc. ("IntroTech") is owned 100% by Jason Louis DeZwirek. Ownership of the shares of common stock of the Company owned by IntroTech also are attributed to Jason Louis DeZwirek. IntroTech and Jason Louis DeZwirek are each deemed to have sole dispositive and sole voting power with respect to such shares.

(6) 50.1% of the shares of Can-Med are owned by Icarus. Ownership of the shares of common stock owned by Can-Med also are attributed to Icarus. Icarus has voting and dispositive power, with respect to such shares which is shared with the other shareholders of Can-Med. Represents 800,000 shares of stock that may be purchased by the exercise of warrants.

(b) Security Ownership of Management

As of March 22, 2001, the present directors and executive officers of the Company are the beneficial owners of the numbers of shares of common stock of the Company set forth below:

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	% Total Company Common Shares Outstanding(2)
Phillip DeZwirek 505 University Avenue Suite 1400 Toronto, Ontario M5G 1P7	4,508,557(3)	41.26%
Jason Louis DeZwirek 195 Hillsdale Avenue East Toronto, Ontario M5S 1T4	3,733,026(4)	43.03%
Josephine Grivas 505 University Avenue Suite 1400 Toronto, Ontario M5G 1P7	--	--
Donald A. Wright 4538 Cass Street San Diego, California 92109	36,000(5)	0.46%
Richard J. Blum 3120 Forrer Street Cincinnati, Ohio 45209	132,000(6)	1.65%
Marshall J. Morris 3120 Forrer Street Cincinnati, Ohio 45209	20,600(7)	0.26%
David D. Blum 3120 Forrer Street Cincinnati, Ohio 45209	93,750(8)	1.18%
Officers and Directors as a group (7 persons)	6,389,573	57.32%

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(1) Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of Common Stock. The number of shares beneficially owned includes Common Stock of which such individual has the right to acquire beneficial ownership either currently or within 60 days after March 22, 2001, including, but not limited to, upon the exercise of an option.

(2) See Note 1 to the foregoing table.

(3) See Notes 2, 3, and 4 to the foregoing table.

(4) See Notes 2 and 5 to the foregoing table.

(5) Includes (i) 10,000 shares of the Company's common stock that may be purchased pursuant to Options granted June 30, 1998 at a price of $2.75 per share prior to June 30, 2008 and (ii) 5,000 shares of the Company's common stock that may be purchased pursuant to Options granted September 18, 2000 at a price of $2.0625 per share prior to September 18, 2010.

(6) Includes 112,000 shares of the Company's common stock that Mr. Richard Blum has the right to purchase for $2.9375 per share pursuant to a warrant granted to Mr. Richard Blum on December 7, 1999 in connection with the acquisition of Kirk & Blum and kbd/Technics to purchase 448,000 shares of common stock in the Company. This warrant became exercisable on December 7, 2000 with respect to 112,000 of such shares and becomes exercisable with respect to an additional 25% of such shares on each of the next three anniversaries of such date.

(7) Includes 10,000 shares of common stock of the Company that may be purchased pursuant to options granted to Mr. Morris to purchase 50,000 shares of the Company's common stock on January 20, 2000. This option became exercisable on January 20, 2001 with respect to 10,000 of such shares and becomes exercisable with respect to an additional 20% of the 50,000 shares on each of the next four anniversaries of such date.

(8) Includes 83,750 shares of the Company's common stock that Mr. David Blum has the right to purchase for $2.9375 per share pursuant to a warrant granted to Mr. David Blum on December 7, 1999 in connection with the acquisition of Kirk & Blum and kbd/Technics to purchase 335,000 shares of stock in the Company. This warrant became exercisable on December 7, 2000 with respect to 83,750 of such shares, and becomes exercisable with respect to an additional 25% of such shares on each of the next three anniversaries of such date.

(c) Changes in Control

The Company is not aware of any current arrangement(s) that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

Since January 1, 1999, the following transactions have occurred in which persons who, at the time of such transactions, were directors, officers or owners of more than 5% of the Company's common stock, had a direct or indirect material interest.

Steven Taub's employment with Filters was terminated as of June 30, 2000 pursuant to a Separation Agreement and General Release (the "Agreement"). The Company, pursuant to the Agreement, purchased on July 5, 2000, all of Mr. Taub's stock of the Company, aggregating 441,297 shares for $2.125 per share and 124,703 shares of Hilary Taub's, Mr. Taub's former wife, stock of the Company, aggregating 124,703 shares for $2.125 per share. In addition, through October 28, 2000, Mr. Taub was entitled to $678.37 per day from Filters. Filters also agreed to pay all of Mr. Taub's major medical insurance costs through October 28, 2000.

Andrew Halapin, former President of Busch, is the beneficial owner of the building in which Busch leases its principal office. The lease is a triple net lease, with annual rent in the amount of $82,398.

The Company purchased shares of Peerless stock in 1999. Part of the funds used to purchase such stock were borrowed from Can-Med. Can-Med is owned 50.1% by Icarus, which is owned 50% by Phillip DeZwirek (the Chairman of the Board of Directors and Chief Executive Officer of the Company) and 50% by Jason DeZwirek (a director and the Secretary of the Company). As of December 31, 2000 the loan was paid in full. The loan accrued interest at a rate of 10%. Warrants to purchase 1 million shares of common stock were issued to Can-Med in August 1999 and later cancelled by the holder in 2000.

As a condition to obtaining the Bank Facility, the Company placed $5 million of subordinated debt. Can-Med provided $4,000,000 of the subordinated debt. 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, subject to the subordination agreement with the banks providing the Bank Facility. The notes were amended in March, 2001 providing for conversion, at the Company's option of the outstanding principal balance and accrued but unpaid interest into shares of Common Stock at a conversion price of $2.00. The conversion price is adjustable to compensate the holders for various corporate events such as stock splits, reverse stock splits, common stock dividends and reorganizations.

In consideration for the subordinated lenders making the Company the subordinated loans, the Company issued to the subordinated lenders warrants to purchase up to 1,000,000 shares of the Company's common stock for $2.25 per share, the closing price of the Company's common stock on the day that the subordinated lenders entered into an agreement with the Company to provide the subordinated loans. Can-Med was issued 800,000 of such warrants. The warrants are exercisable from June 6, 2000 until December 7, 2009. The subordinated lenders, including Can-Med, were granted certain registration rights with respect to their warrants and shares of common stock of the Company into which the warrants are convertible.

In August 1999, the Company issued a demand note and warrants to purchase 1 million shares of common stock to a related party. The Company has restated the financial statements to account for the inherent discount associated with the value for the warrants, and recognized $.6 million of interest expense in the quarter ending September 30, 1999. Management of the Company and the holder of the warrants believed that the inherent interest rate resulting from the valuation was higher than originally contemplated when the transaction was structured and, therefore, the holder cancelled the warrants after repayment of the debt.

Item 13. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Exhibits

2.1 Agreement and Plan of Reorganization dated August 13, 1997 between CECO, the Company and Steven I. Taub. (Incorporated by reference from Form 10-KSB dated December 31, 1997 of the Company)

3(i) Articles of Incorporation (Incorporated by reference from Form 10-KSB dated December 31, 1993 of the Company)

3(ii) Bylaws (Incorporated by reference from Form 10-KSB dated December 31, 1993 of the Company) and Amendment to Bylaws.

4.1 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)

4.2 CECO Environmental Corp. 1997 Stock Option Plan. (Incorporated by reference from Form 10-KSB, exhibit 4.4, dated December 31, 1997 of the Company)

4.3 1999 CECO Environmental Corp. Employee Stock Purchase Plan (Incorporated by reference from Form S-8, filed September 22, 1999 of the Company).

4.4 Amendment CECO Environmental Corp. 1997 Stock Option Plan, dated as of January 20, 2000.

10.1 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)

10.2 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)

10.3 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)

10.4 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)

10.5 Warrant Agreement dated as of November 7, 1996 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1996)

10.6 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)

10.7 Asset Purchase Agreement among New Busch Co., Inc., Busch Co. and Andrew Halapin dated September 9, 1997. (Incorporated by reference from the Form 8-K filed by CECO on October 9, 1997 with respect to event of September 25, 1997)

10.8 Employment, Non-Compete and Confidentiality Agreement between New Busch Co., Inc. and Andrew M. Halapin dated September 25, 1997. (Incorporated by reference from the Form 8-K filed by CECO on October 9, 1997 with respect to event of September 25, 1997)

10.9 Employment Agreement and Addendum to Employment Agreement between CECO and Steven I. Taub dated September 30, 1997. (Incorporated by reference from the Company's Quarterly Report on Form 10-QSB for quarter ended September 30, 1997)

10.10 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)

10.11 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)

10.12 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)

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

10.14 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)

10.15 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)

10.16 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.)

10.17 Employment Agreement, dated as of December 7, 1999, between Richard J. Blum and CECO Group, Inc. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.18 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.)

10.19 Employment Agreement, dated as of December 7, 1999, between Lawrence J. Blum and The Kirk & Blum Manufacturing Company. (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 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.)

10.21 Employment Agreement, dated as of December 7, 1999, between David D. Blum and The Kirk & Blum Manufacturing Company. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.22 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.)

10.23 Credit Agreement, dated as of December 7, 1999, among PNC Bank, National Association, The Fifth Third Bank, and Bank One, N.A. and PNC Bank, National Association as agent, and CECO Group, Inc., CECO Filters, Inc., Air Purator Corporation, New Busch Co., Inc., The Kirk & Blum Manufacturing Company and kbd\Technic, Inc. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.24 Promissory Note in the amount of $4,000,000, dated as of December 7, 1999, made by CECO Environmental Corp. and payable to Green Diamond Oil Corp. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.25 Promissory Note in the amount of $500,000, dated as of December 7, 1999, made by CECO Environmental Corp. and payable to Harvey Sandler. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.26 Promissory Note in the amount of $500,000, dated as of December 7, 1999, made by CECO Environmental Corp. and payable to ICS Trustee Services, Ltd. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.27 Warrant Agreement, dated as of December 7, 1999, among CECO Environmental Corp. and Green Diamond Oil Corp., Harvey Sandler and ICS Trustee Services, Ltd. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999.)

10.28 KDB\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.)

10.29 Amendment to Credit Agreement dated March 28, 2000 (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1999.)

10.30 Letter Agreement between PNC Bank and CECO Group, Inc., dated September 28, 2000.

10.31 Second Amendment to Credit Agreement dated November 19, 2000.

10.32 Stock Option Agreement for Donald A. Wright dated September 18, 2000.

10.33 Warrant Agreement dated as of August 14, 2000 between the Company and Phillip DeZwirek.

10.34 Incentive Stock Option Agreement for Marshall J. Morris dated as of January 20, 2000.

10.35 Separation Agreement and General Release between Steven I. Taub and the Company.

10.36 Stock Sale Agreement between the Company and Steven I. Taub dated July 5, 2000.

10.37 Stock Sale Agreement between the Company and Hilary Taub dated July 5, 2000.

10.38 Replacement Promissory Note in the amount of $4,000,000, dated as of March 12, 2001, made by CECO Environmental Corp. and payable to Green Diamond Oil Corp.

10.39 Replacement Promissory Note in the amount of $500,000, dated as of March 12, 2001, made by CECO Environmental Corp. and payable to Harvey Sandler.

10.40 Replacement Promissory Note in the amount of $500,000, dated as of March 12, 2001, made by CECO Environmental Corp. and payable to ICS Trustee Services, Ltd.

10.41 Third Amendment to Credit Agreement dated March 30, 2001.

21 Subsidiaries of the Company (Incorporated by reference from the Company's Form 10KSB dated December 31, 1999.)

(b) Reports on Form 8-K

The Company did not file a report on Form 8-K during the fiscal quarter ended December 31, 2000.

23 Consent of Independent Public Accountants

SIGNATURES

In accordance with 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: April 2, 2001

In accordance with 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

Signature	Date
/s/ Phillip DeZwirek Phillip DeZwirek, Chairman of the Board, Director and Chief Executive Officer	April 2, 2001

Principal Financial and Accounting Officer

Signature	Date
/s/ Marshall J. Morris Marshall J. Morris, Vice President-Finance and Administration; Chief Financial Officer	April 2, 2001
/s/ Richard J. Blum Richard J. Blum, President, Director	April 2, 2001
/s/ Jason Louis DeZwirek Jason Louis DeZwirek, Director	April 2, 2001
/s/ Josephine Grivas Josephine Grivas, Director	April 2, 2001
/s/ Donald Wright Donald Wright, Director	April 2, 2001

EXHIBIT 4.4

AMENDMENT

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN

This Amendment of the CECO Environmental Corp. 1997 Stock Option Plan ("Plan") is entered into as of January 20, 2000 by CECO Environmental Corp. (the "Company"), effective the date hereof ("Effective Date").

RECITALS

A. The Company adopted the Plan on October 1, 1997, effective the date thereof, as an incentive stock option plan within the meaning of Section 422 of the Internal Revenue Code ("Code").

B. The Company has determined it appropriate to amend the Plan to provide for Company discretion to terminate or otherwise modify options issued pursuant to the Plan, on or after the Effective Date, in the event of the sale, merger, recapitalization, dissolution or other similar capital event as set forth herein.

AMENDMENT

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

2. Effective January 20, 2000, Section 11 of the Plan is deleted in its entirety and replaced as follows:

"SECTION 11

ADJUSTMENTS UPON CHANGES IN CAPITALIZATION; SALE OF COMPANY

(a) For all stock options issued prior to January 20, 2000:

A pro rata adjustment for an increase or decrease in the number of shares of Common Stock of the Company subject to the Plan or that may be awarded to any individual in any year shall be made to give effect to any consolidation of shares, the equivalent value in stock of cash dividends, stock dividends, stock splits, stock combinations, recapitalization and other similar changes in the capital structure of the Company. Pro rata adjustment shall be made in the number, kind and price of shares of Common Stock of the Company covered by any outstanding stock option hereunder to give effect to any consolidation of shares, stock dividends, stock spits, stock combinations, recapitalization and similar changes in the capital structure in the Company, or a merger or dissolution or reorganization of the Company, after the date the Option is granted so that the Optionee is treated in a manner equivalent to that of holders of the underlying Common Stock.

(b) For all stock options issued on or after January 20, 2000 ("Effective Date") and on or before the last day for the duration of the Plan provided under Section 7 of the Plan:

(i) In the event that the outstanding shares of Common Stock of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, change in par value, stock split-up, combination of shares or dividend payable in capital stock, the Company shall make adjustments to such outstanding stock options (including, by way of example and not by way of limitation, the grant of substitute options under the Plan or under the plan of such other corporation) as the Administrator may determine to be appropriate under the circumstances in the sole discretion of the Administrator, and, in addition, appropriate adjustments shall be made in the number and kind of shares and in the option price per share subject to outstanding options under the Plan or under the plan of such successor corporation. No such adjustment shall be made which shall, within the meaning of Section 424 of the Code, constitute such a modification, extension, or renewal of an option as to cause the adjustment to be considered as the grant of a new option.

(ii) Notwithstanding anything herein to the contrary, the Company may, in its sole discretion:

(A) accelerate the timing of the exercise provisions of any stock option in the event of (1) the adoption of a plan of merger or consolidation under which all the shares of Common Stock of the Company would be eliminated, or (2) a sale of all or substantially all of the Company's assets or shares of Common Stock; (B) cancel any or all stock options granted hereunder (on or after the Effective Date) upon any of the foregoing events and provide for the payment to Optionees in cash of an amount equal to the difference between the option price and the price of a share of Common Stock, as determined in good faith by the Administrator, at the close of business on the date of such event, multiplied by the number of such shares of Option Stock so canceled; or (C) accelerate the timing of the exercise provisions of any stock option if (1) any such business combination is to be accounted for as a pooling-of-interests under APB Opinion 16 (or any successor opinion) and (2) the timing of such acceleration does not prevent such pooling-of-interests treatment; provided, that if any provision of the Plan would disqualify the combination from pooling-of-interests accounting treatment, then the Plan shall be interpreted to preserve such accounting treatment or, if necessary, the applicable provision shall be null and void. All determinations to be made in connection with the preceding sentence shall be made by the independent accounting firm whose opinion with respect to the pooling-of-interests treatment is required as a condition to the Company's consummation of such combination.

(iii) Upon a business combination by the Company or any Subsidiary with any corporation or other entity through the adoption of a plan of merger or consolidation or a share exchange or through the purchase of all or substantially all of the capital stock or assets of such other corporation or entity, the Board of Directors or the Committee may, in its sole discretion, grant stock options to all or any persons who, on the effective date of such transaction, hold outstanding options to purchase securities of such other corporation or entity and who, on and after the effective date of such transaction, will become employees of the Company or any Subsidiary. The number of shares of Option Stock subject to such substitute stock options shall be determined in accordance with the terms of the transaction by which the business combination is effected. Notwithstanding the other provisions of this Plan, the other terms of such substitute stock options shall be substantially the same as or economically equivalent to the terms of the options for which such stock options are substituted, all as determined by the Administrator. Upon the grant of substitute stock options pursuant hereto, the options to purchase securities of such other corporation or entity for which such stock options are substituted shall be canceled immediately.

(iv) Upon the dissolution or liquidation of the Company other than in connection with a transaction to which the preceding subparagraphs (i), (ii) or (iii) of this Section 11(b) is applicable, all stock options granted hereunder shall terminate and become null and void; provided, however, that if the rights of an Optionee under the applicable options have not otherwise terminated and expired, the Optionee shall have the right immediately prior to such dissolution or liquidation to exercise any stock option granted hereunder to the extent that the right to purchase shares thereunder has become exercisable as of the date immediately prior to such dissolution or liquidation."

3. The Plan is hereby ratified, confirmed and approved as amended hereby.

EXHIBIT 10.30

PNC BANK

September 28, 2000

Marshall Morris, Chief Financial Officer
CECO Group, Inc.
3120 Forrer Road
Cincinnati, OH 45209

Re: Credit Agreement dated as of October 7, 1999

Gentlemen:

We refer to Section 6.3 of the Credit Agreement, dated as of December 7, 2000 (as amended, the "Agreement"), among CECO Group, Inc. and its subsidiaries party thereto (collectively, the "Borrowers"), PNC Bank, National Association, as agent (the "Agent") for the banks and other financial institutions party thereto (the "Banks"), and the Banks. Capitalized terms used herein without definition have the meanings given in the Agreement. In connection with the delivery of Bonds by unaffiliated sureties for the Borrowers, such sureties have requested and may from time to time require that the Borrowers and/or their affiliates enter into indemnity agreements of the type set forth as Exhibit A hereto (the "Indemnity Agreements"). As used herein, "Bonds" means surety bonds, performance bonds or other instruments or agreements of guarantee issued in connection with the fulfillment of obligations by the Borrowers.

The Borrowers have requested that the Banks consent to the execution and delivery of the Indemnity Agreement and the execution and delivery by the Borrowers from time to time of other Permitted Agreements.

In reliance upon the Borrowers' representations and warranties and subject to the terms and conditions herein set forth, the Banks agree as follows:

1. Consent. The Banks hereby consent to the execution, delivery and performance of the Indemnity Agreement. The Banks hereby agree that the execution, delivery and performance of Permitted Agreements in the ordinary course of business do not and will not violate the provisions of Section 6.3 of the Agreement.

2. Limitation of Consent. Except as expressly described above, this letter shall not constitute (a) a modification or an alteration of the terms, conditions or covenants of the Agreement or any other Loan Document or (b) a waiver, release or limitation upon the Agent's or the Banks' exercise of any of their rights and remedies thereunder, which are herby

expressly reserved. This letter shall not relieve or release the Borrowers in any way from any of their duties, obligations, covenants or agreements under the Agreement or the other Loan Documents or from the consequences of any Event of Default thereunder, except as expressly described above. This letter shall not obligate the Banks, or be construed to require the Banks, to waive any other Events of Default or defaults, whether now existing or which may occur after the date hereof.

3. Execution in Counterparts.This letter agreement may be executed in multiple counterparts, and by the parties hereto on separate counterparts, each of which shall constitute an original, but all such counterparts shall constitute but one and the same instrument.

Please execute the enclosed extra copy of this letter in the space provided below and return the fully executed document to the undersigned for this letter to be effective.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION
as Agent

By: /s/ John G. Siegrist

John G. Siegrist

Accepted and agreed to, as of the date written above:

CECO GROUP, INC., as Borrowers'
Representative

By: /s/ M.J. Morris

Name: /s/ Marshall J. Morris
Title: /s/ CFO

EXHIBIT 10.30

EXHIBIT A

FORM OF INDEMNITY AGREEMENT

EXHIBIT 10.31

SECOND AMENDMENT TO CREDIT AGREEMENT

This SECOND AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 19th day of November, 2000, by and among CECO GROUP, INC., CECO FILTERS, INC., AIR PURATOR CORPORATION, NEW BUSCH CO., INC., THE KIRK & BLUM MANUFACTURING COMPANY and KBD/TECHNIC, INC. (the "Borrowers"), and PNC BANK, NATIONAL ASSOCIATION ("PNC"), individually and as agent for itself and the other banks (collectively, the "Banks") which from time to time are parties to the hereinafter defined Credit Agreement (in such capacity, the "Agent").

BACKGROUND

A. The Agent, the Banks and the Borrowers are parties to a Credit Agreement dated as of December 7, 1999 as amended by Amendment to Credit Agreement, date as of March 28, 2000 (as amended, the "Credit Agreement").

B. The Borrowers have requested and the Agent and the Banks have agreed to amend the Credit Agreement on the terms and conditions set forth herein.

Now, Therefore, in consideration of the foregoing and for good and valuable consideration, the legality and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) Section 5.2 of the Credit Agreement is hereby amended by inserting the following new subsection (f):

> "(f) (i) internally prepared consolidated financial projections for CECO for the quarter ending December 31, 2000 on or before December 15, 2000; (ii) internally prepared preliminary consolidated financial projections for CECO for the fiscal year ending December 31, 2001 on or before December 15, 2000; (iii) internally prepared final consolidated financial projections for CECO for the fiscal year ending December 31, 2001 on or before January 31, 2001, together with a written explanation of any changes to the preliminary projections for such period; (iv) internally prepared financial statements of CECO for the quarter and fiscal year ending December 31, 2000, and covenant compliance calculations for such periods, on or before February 15, 2001. Notwithstanding any provision to the contrary contained in this Agreement, the Borrowers' failure to deliver any of the items required by this subsection (f) shall constitute and immediate Event of Default without any required notice or cure period."

(b) Section 6.1(c) of the Credit Agreement is hereby amended and restated in its entirety as follows:

"Interest Coverage Ratio. Permit the Interest Coverage Ratio for the period (i) beginning January 1, 2000 and ending June 30, 2000 to be less than 1.50 to 1, or (ii) beginning January 1, 2000 and ending September 30, 2000 to be less than 1.50 to 1, or permit the Interest Coverage Ratio, as of the end of any fiscal quarter ending during the periods specified below, for the prior four consecutive fiscal quarters, to be less than the ratio set forth opposite such period:

Last Day of Fiscal Quarter During Period	Interest Coverage Ratio Not To Be Less Than
December 31, 2000 through December 30, 2001	2.50 to 1
December 31, 2001 through December 30, 2002	3.25 to 1
December 31, 2002 through December 30, 2003	3.75 to 1
December 31, 2003 through Termination Date	4.00 to 1

(c) Section 6.1(e) of the Credit Agreement is hereby amended by deleting the "$5,100,000" amount in the third row of the table with respect to the period from January 1, 2000 through September 30, 2000, and inserting "$3,900,000" in its place.

(d) Section 6.8 of the Credit Agreement is hereby amended by inserting the following sentence at the end of such Section:

"Notwithstanding anything herein to the contrary, the Borrowers shall not pay management fees to CECO in excess of $40,000 for each of the months of October, November and December, 2000."

3. Additional Covenant. The Borrowers and Green Diamond Oil Corp. ("Green Diamond") agree that the scheduled payment to Green Diamond on the Subordinated Debt (as defined in the Subordination Agreement) due on or about September 30, 2000 shall be deferred until December 31, 2000, and no payment of principal or interest on the Subordinated Debt may be made to or received by Green Diamond before December 31, 2000. Notwithstanding any provision to the contrary contained in the Credit Agreement, the Borrowers' failure to comply with this Section 3 shall constitute an immediate Event of Default without any required notice or cure period.

4. Amendment to the Loan Documents. All references to the Credit Agreement in the Loan Documents and in any documents executed in connection therewith shall be deemed to refer to the Credit Agreement as amended by this Amendment.

5. Ratification of the Loan Documents.Notwithstanding anything to the contrary herein contained or any claims of the parties to the contrary, the Agent, the Banks and the Borrowers agree that the Loan Documents and each of the documents executed in connection therewith are in full force and effect and each such document shall remain in full force and effect, as further amended by this Amendment, and each of the Borrowers hereby ratifies and confirms its obligations thereunder.

6. Representations and Warranties.

(a) Each Borrower hereby certifies that (i) the representations and warranties of such Borrower in the Credit Agreement are true and correct in all material respects as of the date hereof, as if made on the date hereof and (ii) 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.

(b) Each Borrower further represents that it has all the requisite power and authority to enter into and to perform its obligations under this Amendment, and that the execution, delivery and performance of this Amendment have been duly authorized by all requisite action and will not violate or constitute a default under any provision of any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect or of the Articles of Incorporation or by-laws of such Borrower, or of any indenture, note, loan or credit agreement, license or any other agreement, lease or instrument to which such Borrower is a party or by which such Borrower or any of its properties are bound.

(c) Each Borrower also further represents that its obligation to repay the Loans, together with all interest accrued thereon, is absolute and unconditional, and there exists no right of set off or recoupment, counterclaim or defense of any nature whatsoever to payment of the Loans.

(d) Each Borrower also further represents that there have been no changes to the Articles of Incorporation, by-laws or other organizational documents of each such Borrower since the most recent date true and correct copies thereof were delivered to the Agent.

7. Conditions Precedent. The effectiveness of the amendments set forth herein is subject to the fulfillment, to the satisfaction of the Agent and its counsel, of the following conditions precedent:

(a) The Borrowers shall have delivered to the Agent the following, all of which shall be in form and substance satisfactory to the Agent and shall be duly completed and executed:

(i) This Amendment and the consent of the Guarantor and the Subordinated Creditor listed on the consents attached hereto; and

(ii) Such additional documents, certificates and information as the Agent may require pursuant to the terms hereof or otherwise reasonably request. (b) The Borrowers shall have received not less than $120,000 in cash from Green Diamond as a repayment of interest previously paid to Green Diamond by the Borrowers.

(c) After giving effect to the amendments contained herein, the representations and warranties set forth in the Credit Agreement shall be true and correct on and as of the date hereof.

(d) After giving effect to the amendments contained herein, no Event of Default hereunder, and no event which, with the passage of time or the giving of

notice, or both, would become such an Event of Default shall have occurred and be continuing as of the date hereof.

(e) The Borrowers shall have paid the reasonable fees and disbursements of the Agent's counsel incurred in connection with this Amendment.

6. No Waiver. Except as expressly provided herein, this Amendment does not and shall not be deemed to constitute a waiver by the Agent or the Banks of any Event of Default, or of any event which with the passage of time or the giving of notice or both would constitute an Event of Default, nor does it obligate the Agent or the Banks to agree to any further modifications to the Credit Agreement or any other Loan Document or constitute a waiver of any of the Agent's or the Banks' other rights or remedies.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

CECO GROUP, INC.

By: /s/ Marshall J. Morris
Name: /s/ Marshall J. Morris
Title: /s/ CFO

CECO FILTERS, INC.

By: /s/ Marshall J. Morris
Name: /s/ Marshall J. Morris
Title: /s/ Secretary

AIR PURATOR CORPORATION

By: /s/ Marshall J. Morris
Name: /s/ Marshall J. Morris
Title: /s/ Secretary

NEW BUSCH CO., INC.

By: /s/ Marshall J. Morris
Name: /s/ Marshall J. Morris
Title: /s/ Secretary

THE KIRK & BLUM MANUFACTURING COMPANY

By: /s/ David D. Blum
Name: /s/ David D. Blum
Title: /s/ VP

KBD/TECHNIC, INC.

By: /s/ Marshall J. Morris
Name: /s/ Marshall J. Morris
Title: /s/ Assist. Secretary

PNC BANK, NATIONAL ASSOCIATION,
as Agent and as a Bank

By: /s/ John G. Siegrist
Title: /s/ Vice President

FIFTH THIRD BANK, as a Bank

By: /s/ David Alexander
Title: /s/ Fifth Third Bank - Assistant Vice President

BANK ONE, N.A., as a Bank

By: /s/ Mark Palazzo
Title: /s/ 1st Vice President

GUARANTOR'S CONSENT

By Corporate Guaranty, dated December 7, 2000 (the "Guaranty"), the undersigned (the "Guarantor") guaranteed to the Agent and the Banks, subject to the terms and conditions set forth therein, the prompt payment and performance of all of the Obligations (as defined therein). The Guarantor consents to the Borrowers' execution of the foregoing Second Amendment to Credit Agreement. The Guarantor hereby acknowledges and agrees that the Guaranty remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

CECO ENVIRONMENTAL CORP.

By: /s/ Marshall J. Morris
Title: /s/ CFO

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 2000 (the "Subordination Agreement"). The Subordinated Creditor consents to the Borrowers' execution of the foregoing Second Amendment to Credit Agreement. The Subordinated Creditor agrees that Section 3 of the foregoing Second Amendment to Credit Agreement applies to it and that such Subordinated Creditor is bound thereby. The Subordinated Creditor hereby acknowledges and agrees that, except as provided in Section 3 of the foregoing Second Amendment to Credit Agreement, the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

GREEN DIAMOND OIL CORP.

By: /s/ Phillip DeZwirek
Title: /s/ President

EXHIBIT 10.32

STOCK OPTION AGREEMENT

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN

THIS AGREEMENT is dated and made effective as of September 18, 2000 ("Effective Date") by and between CECO ENVIRONMENTAL CORP. a New York corporation (the "Company"), and DONALD WRIGHT ("Optionee").

WITNESSETH:

WHEREAS, Optionee on the date hereof is an officer 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 $2.0625 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 five thousand (5,000) shares of Option Stock ("Shares") at an exercise price of $2.0625 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. Duration and Exercisability.

a. Exercise Period. The Option shall become exercisable on March 18, 2001 six months after the date of this grant agreement.

b. Expiration. The Option shall expire on September 18, 2010 ("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. 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 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. Employment 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 stock 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 Participant only by Participant. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of Participant.

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. Accounting Compliance. Optionee agrees that, in the event of a transaction subject to Section 11 of the Plan, treated as a "pooling of interests" under generally accepted accounting principles, and Optionee is an affiliate of the Company or any Subsidiary (as described in Section 11 of the Plan) at the time of such change of control transaction, Optionee will comply with all requirements of Rule 145 of the Securities Act of 1933, as amended, and the requirements of such other legal or accounting principles, and will execute any documents necessary to ensure such compliance.

g. Stock Legend. The Administrator may require that the certificates for any Shares purchased by Optionee (or, in the case of death, Optionee's successors) bear an appropriate legend to reflect the restrictions of Section 4(f), of this Agreement.

h. 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.

i. 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.

j. 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.

k. 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.

l. 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.

m. Governing Law. The Option shall be governed by and construed in accordance with the internal laws of the State of Ohio, 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.	OPTIONEE
By: /s/ Richard J. Blum	/s/ Donald Wright
Its:/s/ President	Donald Wright

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

EXHIBIT 10.33

CECO ENVIRONMENTAL CORP.

AND

PHILLIP DeZWIREK

WARRANT AGREEMENT

Dated as of August 14, 2000

WARRANT AGREEMENT (the "Agreement") dated as of August 14, 2000 between CECO Environmental Corp., a New York corporation (the "Company"), and Phillip DeZwirek (hereinafter referred to as a "Holder" or "DeZwirek").

W I T N E S S E T H :

WHEREAS, DeZwirek is an employee, officer and director of the Company; and

WHEREAS, DeZwirek has, and continues to provide valuable services to the Company; and

WHEREAS, the Company desires to grant to DeZwirek, and DeZwirek desires to accept from the Company, warrant certificates giving DeZwirek the right to purchase shares of the Company's Common Stock.

NOW, THEREFORE, in consideration of the premises, the payment by DeZwirek to the Company of an aggregate of ten dollars ($10.00), the agreements herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant. DeZwirek is granted the right to purchase, from the Company, at any time from August 14, 2001, until 5:30 p.m., New York time, on August 14, 2010 (the "Expiration Date"), at which time the Warrants expire, up to an aggregate of 500,000 shares (subject to adjustment as provided in Section 8 hereof) of common stock, par value $.01 per share, of the Company ("Common Stock") at an initial exercise price (subject to adjustment as provided in Section 11 hereof) of $2.0625 per share (the "Exercise Price").

2. Warrant Certificates. The warrant certificates (the "Warrant Certificates") delivered and to be delivered pursuant to this Agreement shall be in the form set forth in Exhibit A, attached hereto and made a part hereof, with such appropriate insertions, omissions, substitutions, and other variations as required or permitted by this Agreement.

3. Registration of Warrant. The Warrants shall be numbered and shall be registered on the books of the Company when issued.

4. Exercise of Warrant.

4.1 Method of Exercise. The Warrants initially are exercisable at the product of (i) the Exercise Price multiplied by (ii) the number of shares of Common Stock purchased (subject to adjustment as provided in Section 11 hereof), as set forth in Section 8 hereof payable by certified or official bank check in United States dollars. The product of the number of Warrants exercised at any one time multiplied by the Exercise Price shall be referred to as the "Purchase Price." Upon surrender of a Warrant Certificate with the annexed Form of Election to Purchase duly executed, together with payment of the Purchase Price for the shares of Common Stock purchased at the Company's principal offices located at 505 University Avenue, Suite 1400, Toronto, Ontario, Canada, the registered holder of a Warrant Certificate ("Holder" or "Holders") shall be entitled to receive a certificate or certificates for the shares of Common Stock so purchased. The purchase rights represented by each Warrant Certificate are exercisable at the option of the Holder thereof, in whole or in part (but not as to fractional shares of the Common Stock). In the case of the purchase of less than all the shares of Common Stock purchasable under any Warrant Certificate, the Company shall cancel said Warrant Certificate upon the surrender thereof and shall execute and deliver a new Warrant Certificate of like tenor for the balance of the shares of Common Stock purchasable thereunder.

5. Issuance of Certificates. Upon the exercise of the Warrants, the issuance of certificates for shares of Common Stock shall be made forthwith (and in any event within five (5) business days thereafter) without charge to the Holder thereof including, without limitation, any tax which may be payable in respect of the issuance thereof, and such certificates shall (subject to the provisions of Sections 7 and 9 hereof) be issued in the name of, or in such names as may be directed by, the Holder thereof; provided, however, that the Company shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificates in a name other than that of the Holder and the Company shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

The Warrant Certificates and the certificates representing the shares of Common Stock, or other securities, property or rights issued upon exercise of the Warrants shall be executed on behalf of the Company by the manual or facsimile signature of the then present Chief Executive Officer, President or any Vice President of the Company, attested to by the manual or facsimile signature of the then present Secretary or any Assistant Secretary of the Company. Warrant Certificates shall be dated the date of execution by the Company upon initial issuance, division, exchange, substitution or transfer.

6. Non-transferability of Warrants. The Warrants issued hereunder or any interest in such Warrants may not be sold, assigned, conveyed, gifted, pledged, hypothecated or otherwise transferred in any manner other than by will or the laws of descent and distribution. Notwithstanding any other Section of this Agreement, any such attempted sale, assignment, conveyance, gift, pledge, hypothecation or transfer shall be null and void and shall nullify such Warrants immediately.

7. Transfer of Warrant. The Warrants shall be transferable only as set forth in Section 6 above and only on the books of the Company maintained at its principal office, where its principal office may then be located, upon delivery thereof duly endorsed by the Holder or by its duly authorized attorney or representative accompanied by proper evidence of succession, assignment or authority to transfer. Upon any such permitted transfer, the Company shall execute and deliver new Warrants to the person entitled thereto.

7. Exercise Price and Number of Securities. Except as otherwise provided in Section 10 hereof, each of the Warrants are exercisable to purchase one share of Common Stock at an initial exercise price equal to the Exercise Price. The Exercise Price and the number of shares of Common Stock for which the Warrant may be exercised shall be the price and the number of shares of Common Stock which shall result from time to time from any and all adjustments in accordance with the provisions of Section 11 hereof.

8. Registration Rights.

8.1 Registration Under the Securities Act of 1933. Each Warrant Certificate and each certificate representing the shares of Common Stock, and any of the other securities issuable upon exercise of the Warrants and the securities underlying the securities issuable upon exercise of the Warrants (collectively, the "Warrant Shares") shall bear the following legend, unless (i) such Warrants or Warrant Shares are distributed to the public or sold for distribution to the public pursuant to this Section 9 or otherwise pursuant to a registration statement filed under the Securities Act of 1933, as amended (the "Act"), (ii) such Warrants or Warrant Shares are subject to a currently effective registration statement under the Act; or (iii) the Company has received an opinion of counsel, in form and substance reasonably satisfactory to counsel for the Company, that such legend is unnecessary for any such certificate:

THE WARRANTS REPRESENTED BY THIS CERTIFICATE AND THE OTHER SECURITIES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, (ii) TO THE EXTENT APPLICABLE, RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES), OR (iii) AN OPINION OF COUNSEL, IF SUCH OPINION SHALL BE REASONABLY SATISFACTORY TO COUNSEL FOR THE ISSUER, THAT AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT IS AVAILABLE.

THE TRANSFER OR EXCHANGE OF THE WARRANTS OR OTHER SECURITIES REPRESENTED BY THE CERTIFICATE IS RESTRICTED IN ACCORDANCE WITH THE WARRANT AGREEMENT REFERRED TO HEREIN.

8.2 Piggyback Registration. If, at any time commencing October 30, 2001, and expiring on the Expiration Date, the Company proposes to register any of its securities, not registered on the date hereof, under the Act (other than in connection with a merger or pursuant to Form S-4 or Form S-8) it will give written notice by registered mail, at least thirty (30) days prior to the filing of each such registration statement, to the Holders of the Warrants and/or the Warrant Shares of its intention to do so. If any of the Holders of the Warrants and/or Warrant Shares notify the Company within twenty (20) days after mailing of any such notice of its or their desire to include any such securities in such proposed registration statement, the Company shall afford such Holders of the Warrants and/or Warrant Shares the opportunity to have any such Warrant Shares registered under such registration statement. In the event that the managing underwriter for said offering advises the Company in writing that in the underwriter's opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering without causing a diminution in the offering price or otherwise adversely affecting the offering, the Company will include in such registration (a) first, the securities the Company proposes to sell, (b) second, the securities held by the entities that made the demand for registration, (c) third, the Warrants and/or Warrant Shares requested to be included in such registration which in the opinion of such underwriter can be sold, pro rata among the Holders of Warrants and/or Warrant Shares on the basis of the number of Warrants and/or Warrant Shares requested to be registered by such Holders, and (d) fourth, other securities requested to be included in such registration.

Notwithstanding the provisions of this Section 9.2, the Company shall have the right at any time after it shall have given written notice pursuant to this Section 9.2 (irrespective of whether a written request for inclusion of any such securities shall have been made) to elect not to file any such proposed registration statement or to withdraw the same after the filing but prior to the effective date thereof.

8.3 Demand Registration.

(a) At any time commencing October 30, 2001 and expiring on the Expiration Date, the Holders of the Warrants and/or Warrant Shares representing a "Majority" (as hereinafter defined) of the Warrants and/or Warrant Shares shall have the right on one occasion (which right is in addition to the registration rights under Section 9.2 hereof), exercisable by written notice to the Company, to have the Company prepare and file with the Securities and Exchange Commission (the "Commission"), a registration statement and such other documents, including a prospectus, as may be necessary in the opinion of both counsel for the Company and counsel for the Holders, in order to comply with the provisions of the Act, so as to permit a public offering and sale by such Holders and any other Holders of the Warrants and/or Warrant Shares who notify the Company within fifteen (15) days after the Company mails notice of such request pursuant to Section 9.3(b) hereof (collectively, the "Requesting Holders") of their respective Warrant Shares so as to allow the unrestricted sale of the Warrant Shares to the public from time to time until the earlier of the following: (i) the Expiration Date, or (ii) the date on which all of the Warrant Shares requested to be registered by the Requesting Holders have been sold (the "Registration Period").

(b) The Company covenants and agrees to give written notice of any registration request under this Section 9.3 by any Holder or Holders representing a Majority of the Warrants and/or Warrant Shares to all other registered Holders of the Warrants and the Warrant Shares within ten (10) days from the date of the receipt of any such registration request.

(c) In addition to the registration rights under Section 9.2 and subsection (a) of this Section 9.3, at any time commencing October 30, 2001 and expiring on the Expiration Date, the Holders of Warrants and/or Warrant Shares shall have the right on one occasion, exercisable by written request to the Company, to have the Company prepare and file with the Commission a registration statement so as to permit a public offering and sale by such Holders of their respective Warrant Shares, for a period not to exceed one hundred eighty (180) days, until the first to occur of the following: (i) the expiration of this Agreement, or (ii) all of the Warrant Shares requested to be registered by such Holders have been sold; provided, however, that the provisions of Section 9.4(b) hereof shall not apply to any such registration request and registration and all costs incident thereto shall be at the expense of the Holder or Holders making such request.

8.4 Covenants of the Company With Respect to Registration. In connection with any registration under Section 9.2 or 9.3 hereof, the Company covenants and agrees as follows:

(a) The Company shall use its best efforts to file a registration statement within ninety (90) days of receipt of any demand therefor, and to have any registration statements declared effective at the earliest possible time, and shall furnish each Holder desiring to sell Warrant Shares such number of prospectuses as shall reasonably be requested. The Company shall also file such applications and other documents as may be necessary to permit the sale of the Warrant Shares to the public during the Registration Period in those states to which the Company and the holders of the Warrants and/or Warrant Shares shall mutually agree.

(b) The Company shall pay all costs (excluding fees and expenses of Holder(s)' counsel and any underwriting or selling commissions), fees and expenses in connection with all registration statements filed pursuant to Sections 9.2 and 9.3(a) hereof including, without limitation, the Company's legal and accounting fees, printing expenses, blue sky fees and expenses. The Holder(s) will pay all costs, fees and expenses in connection with the registration statement filed pursuant to Section 9.3(c)

(c) The Company will take all necessary action which may be required in qualifying or registering the Warrant Shares included in a registration statement for offering and sale under the securities or blue sky laws of such states as reasonably are requested by the Holder(s), provided that the Company shall not be obligated to execute or file any general consent to service of process or to qualify as a foreign corporation to do business under the laws of any such jurisdiction.

(d) The Company shall indemnify the Holder(s) of the Warrant Shares to be sold pursuant to any registration statement and each person, if any, who controls such Holder(s) within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), against all loss, claim, damage, expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement.

(e) In order to provide for just and equitable contribution under the Act in any case in which (i) any Holder of the Warrant Shares or controlling person thereof makes a claim for indemnification but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 9.4(d) hereof provide for indemnification in such case or (ii) contribution under the Act may be required on the part of any Holder of the Warrant Shares, or controlling person thereof, then the Company, any such Holder of the Warrant Shares, or controlling person thereof shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all costs of defense and investigation and all attorneys fees), in either such case (after contribution from others) on the basis of relative fault as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or a Holder of Warrant Shares, or controlling person thereof on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and such Holders of such securities and such controlling persons agree that it would not be just and equitable if contribution pursuant to this Section 10.4(e) were determined by pro rata allocation or by any other method which does not take account of the equitable considerations referred to in this Section 9.4(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 9.4(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) The Holder(s) of the Warrant Shares to be sold pursuant to a registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, its officers and directors and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, against any loss, claim, damage or expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished in writing, by or on behalf of such Holders, or their successors or assigns, for specific inclusion in such registration statement.

(g) Nothing contained in this Agreement shall be construed as requiring the Holder(s) to exercise their Warrants prior to the initial filing of any registration statement or the effectiveness thereof.

(h) The Company shall not permit the inclusion of any securities other than the Warrant Shares to be included in any registration statement filed pursuant to Section 10.3 hereof, or permit any other registration statement (other than a registration statement on Form S-4 or S-8) to be or remain effective during a ninety (90) day period following the effective date of a registration statement filed pursuant to Section 9.3 hereof, without the prior written consent of the Holder(s) of the Warrants and Warrant Shares representing a Majority of such securities or as otherwise required by the terms of any existing registration rights granted prior to the date of this Agreement by the Company to the holders of any of the Company's securities.

(i) The Company shall furnish to each Holder participating in the offering and to each underwriter, if any, a signed counterpart, addressed to such Holder or underwriter, of (i) an opinion of counsel to the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under the underwriting agreement), and (ii) a "cold comfort" letter dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a "cold comfort" letter dated the date of the closing under the underwriting agreement) signed by the independent public accountants who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities.

(j) The Company shall enter into an underwriting agreement with the managing underwriters selected for such underwriting by Holders holding a Majority of the Warrant Shares requested to be included in such underwriting. Such agreement shall be satisfactory in form and substance to the Company, each Holder and such managing underwriters, and shall contain such representations, warranties and covenants by the Company and such other terms as are customarily contained in agreements of that type used by the managing underwriter. The Holder(s) shall be parties to any underwriting agreement relating to an underwritten sale of their Warrant Shares and may, at their option, require that any or all of the representations, warranties and covenants of the Company to or for the benefit of such underwriters shall also be made to and for the benefit of such Holder(s). Such Holder(s) shall not be required to make any representations or warranties to or agreements with the Company or the underwriters except as they may relate to such Holder(s) and their intended methods of distribution.

(k) For purposes of this Agreement, the term "Majority" in reference to the Warrants or Warrant Shares, shall mean in excess of fifty percent (50%) of the then outstanding Warrants or Warrant Shares that (i) are not held by the Company, or (ii) have not been resold to the public pursuant to a registration statement filed with the Commission under the Act or Rule 144 promulgated under the Act.

9. Obligations of Holders. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 9 hereof that each of the selling Holders shall:

(a) Furnish to the Company such information regarding themselves, the Warrant Shares held by them, the intended method of sale or other disposition of such securities, the identity of and compensation to be paid to any underwriters proposed to be employed in connection with such sale or other disposition, and such other information as may reasonably be required to effect the registration of their Warrant Shares.

(b) Notify the Company, at any time when a prospectus relating to the Warrant Shares covered by a registration statement is required to be delivered under the Act, of the happening of any event with respect to such selling Holder as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing.

10. Adjustments to Exercise Price and Number of Securities. The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrants or the securities underlying the Warrants shall be subject to adjustment from time to time upon the happening of certain events as follows:

10.1 Dividend, Subdivision and Combination. In case the Company shall (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect at the time of the record date for such dividend or distribution or of the effective date of such subdivision, combination or reclassification shall be adjusted so that it shall equal the price determined by multiplying the Exercise Price by a fraction, the denominator of which shall be the number of shares of Common Stock outstanding after giving effect to such action, and the numerator of which shall be the number of shares of Common Stock outstanding immediately prior to such action. Such adjustment shall be made successively whenever any event listed above shall occur.

10.2 Adjustment in Number of Securities. Upon each adjustment of the Exercise Price pursuant to the provisions of this Section 11, the number of Warrant Shares issuable upon the exercise at the adjusted Exercise Price of each Warrant shall be adjusted to the nearest number of whole shares of Common Stock determined by multiplying a number equal to the Exercise Price in effect immediately prior to such adjustment by the number of the applicable Warrant Shares issuable upon exercise of the Warrants immediately prior to such adjustment and dividing the product so obtained by the adjusted Exercise Price.

10.3 Definition of Common Stock. For the purpose of this Agreement, the term "Common Stock" shall mean (i) the class of stock designated as Common Stock in the Articles of Incorporation of the Company as of the date hereof, or (ii) any other class of stock resulting from successive changes or reclassifications of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value.

10.4 Merger or Consolidation. In case of any consolidation of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger which does not result in any reclassification or change of the outstanding Common Stock), the corporation formed by such consolidation or merger shall execute and deliver to each Holder a supplemental warrant agreement providing that the Holder of each Warrant then outstanding shall have the right thereafter (until the Expiration Date) to receive, upon exercise of such Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or merger to which the Holder would have been entitled if the Holder had exercised such Warrant immediately prior to such consolidation, merger, sale or transfer. Such supplemental warrant agreement shall provide for adjustments which shall be identical to the adjustments provided in this Section 11. The above provision of this subsection shall similarly apply to successive consolidations or mergers.

10.5 No Adjustment of the Exercise Price in Certain Cases. No adjustment of the Exercise Price shall be made:

(a) Upon the issuance or sale of the Warrants or the Warrant Shares;

(b) Upon the issuance or sale of Common Stock (or any other security convertible, exercisable, or exchangeable into shares of Common Stock) upon the direct or indirect conversion, exercise, or exchange of any options, rights, warrants, or other securities or indebtedness of the Company outstanding as of the date of this Agreement or granted pursuant to any stock option plan of the Company in existence as of the date of this Agreement, pursuant to the terms thereof or issued pursuant to any stock purchase plan in existence as of the date of this Agreement, pursuant to the terms thereof; or

(c) If the amount of said adjustment shall be less than ten cents ($.10) per share, provided, however, that in such case any adjustment that would otherwise be required then to be made shall be carried forward and shall be made at the time of and together with the next subsequent adjustment which, together with any adjustment so carried forward, shall amount to at least ten cents ($.10) per share.

11. Exchange and Replacement of Warrant Certificates. Each Warrant Certificate is exchangeable, without expense, upon the surrender thereof by the registered Holder at the principal executive office of the Company for a new Warrant Certificate of like tenor and date representing in the aggregate the Holder's right to purchase the same number of Warrant Shares in such denominations as shall be designated in such Warrant Certificate at the time of such surrender.

Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of any Warrant Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it and reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of the Warrant Certificate, if mutilated, the Company will make and deliver a new Warrant Certificate of like tenor, in lieu thereof.

12. Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock or other securities upon the exercise of the Warrants, nor shall it be required to issue scrip or pay cash in lieu of fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of shares of Common Stock or other securities, properties or rights.

13. Reservation and Listing of Securities. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon the exercise of the Warrants, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof or the exercise or conversion of any other exercisable or convertible securities underlying the Warrants. Every transfer agent and warrant agent (collectively "Transfer Agent") for the Common Stock and other securities of the Company issuable upon the exercise of the Warrants will be irrevocably authorized and directed at all times to reserve such number of authorized shares of Common Stock and other securities as shall be requisite for such purpose. The Company will keep a copy of this Agreement on file with every Transfer Agent for the Common Stock and other securities of the Company issuable upon the exercise of the Warrants. The Company will supply every such Transfer Agent with duly executed stock and other certificates, as appropriate, for such purpose. The Company covenants and agrees that, upon each exercise of the Warrants and payment of the Purchase Price, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid, non-assessable and not subject to the preemptive rights of any stockholder. As long as the Warrants shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock and other securities issuable upon the exercise of the Warrants and the securities underlying the securities issuable upon exercise of the Warrants to be listed (subject to official notice of issuance) on all securities exchanges or securities associations on which the Common Stock issued to the public in connection herewith may then be listed and/or quoted.

14. Notices to Warrant Holders. Nothing contained in this Agreement shall be construed as conferring upon the Holder(s) of the Warrants the right to vote or to consent or to receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the following events shall occur:

(a) the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of current or retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company; or

(b) the Company shall offer to all the holders of its Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor; or

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed; then in any one or more of said events, the Company shall give written notice to the registered holders of the Warrants of such event at least fifteen (15) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, convertible or exchangeable securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to give such notice or any defect therein shall not affect the validity of any action taken in connection with the declaration or payment of any such dividend, or the issuance of any convertible or exchangeable securities, or subscription rights, options or warrants, or any proposed dissolution, liquidation, winding up or sale.

15. Notices. All notices, requests, consents and other communications hereunder shall be in writing and shall be deemed to have been duly made and sent when delivered, or mailed by registered or certified mail, return receipt requested:

(a) if to the registered Holder of the Warrants, to the address of such Holder as shown on the books of the Company; or

(b) if to the Company, to the address set forth in Section 4 hereof or to such other address as the Company may designate by notice to the Holders.

16. Investment Representation. The Holder represents and warrants that the Warrants and any shares of Common Stock to be issued upon exercise of the Warrants are and will be acquired by the Holder solely for the Holder's own account for investment and not with a view to or for sale in connection with any distribution thereof. The Holder agrees that the Holder will not, directly or indirectly, offer, transfer, sell, pledge, convey, gift, assign, encumber, alienate, hypothecate or otherwise dispose of all or any shares of Common Stock underlying the Warrants (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any of the shares of Common Stock underlying the Warrants), except in compliance with this Agreement, the Act and the rules and regulations of the Commission thereunder, and in compliance with applicable state securities or "blue sky" laws.

18. Supplements; Amendments; Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and may not be modified or amended except by a writing duly signed by the party against whom enforcement of the modification or amendment is sought. The Company and the Holder(s) may from time to time supplement or amend this Agreement in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any provisions herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and the Holders may deem necessary or desirable and which the Company and the Holder deem shall not adversely affect the interests of the Holders of Warrant Certificates.

19. Successors. All of the covenants and provisions of this Agreement shall be binding upon and inure to the benefit of the Company, the Holder(s) and their respective successors and assigns hereunder.

20. Survival of Representations and Warranties. All statements in any schedule, exhibit or certificate or other instrument delivered by or on behalf of the parties hereto, or in connection with the transactions contemplated by this Agreement, shall be deemed to be representations and warranties hereunder. Notwithstanding any investigations made by or on behalf of the parties to this Agreement, all representations, warranties and agreements made by the parties to this Agreement or pursuant hereto shall survive.

21. Governing Law; Submission to Jurisdiction. This Agreement and each Warrant Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of said State without giving effect to the rules of said State governing the conflicts of laws.

22. Severability. If any provision of this Agreement shall be held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision of this Agreement.

23. Captions. The caption headings of the Sections of this Agreement are for convenience of reference only and are not intended, nor should they be construed as, a part of this Agreement and shall be given no substantive effect.

24. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and DeZwirek and any other registered Holder(s) of the Warrant Certificates or Warrant Shares any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company and DeZwirek and any other Holder(s) of the Warrant Certificates or Warrant Shares.

25. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

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

CECO ENVIRONMENTAL CORP.

By: /s/ Richard J. Blum

Name: /s/ Richard J. Blum

Title: /s/ President

/s/ Phillip DeZwirek

Phillip DeZwirek

EXHIBIT A

[FORM OF WARRANT CERTIFICATE]

THE WARRANTS REPRESENTED BY THIS CERTIFICATE AND THE OTHER SECURITIES ISSUABLE UPON EXERCISE THEREOF MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO (i) AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, (ii) TO THE EXTENT APPLICABLE, RULE 144 UNDER SUCH ACT (OR ANY SIMILAR RULE UNDER SUCH ACT RELATING TO THE DISPOSITION OF SECURITIES), OR (iii) AN OPINION OF COUNSEL, IF SUCH OPINION SHALL BE REASONABLY SATISFACTORY TO COUNSEL FOR THE ISSUER, THAT AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT IS AVAILABLE.

THE TRANSFER OR EXCHANGE OF THE WARRANTS OR OTHER SECURITIES REPRESENTED BY THIS CERTIFICATE IS RESTRICTED IN ACCORDANCE WITH THE WARRANT AGREEMENT REFERRED TO HEREIN.

EXERCISABLE ON OR BEFORE
5:30 P.M., NEW YORK TIME, AUGUST 14, 2010

Warrant No. ___

WARRANT CERTIFICATE

This Warrant Certificate certifies that ______________ , or registered assigns, is the registered holder of Warrants to purchase initially, at any time from August 14, 2001 until 5:30 p.m., New York time, on August 14, 2010 ("Expiration Date"), up to __________ shares, of fully-paid and non-assessable common stock, $.01 par value ("Common Stock") of CECO Environmental Corp., a New York corporation (the "Company"), at the initial exercise price, subject to adjustment in certain events, of $2.0625 per share upon surrender of this Warrant Certificate and payment of the Exercise Price at the principal executive office of the Company, but subject to the conditions set forth herein. Payment of the Exercise Price shall be made by certified or official bank check in United States dollars payable to the order of the Company.

No Warrant may be exercised after 5:30 p.m., New York time, on the Expiration Date, at which time all Warrants evidenced hereby, unless exercised prior thereto, shall thereafter expire and shall be void.

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants issued pursuant to the Warrant Agreement, which Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Warrants.

The Warrant Agreement provides that upon the occurrence of certain events the Exercise Price and the type and/or number of the Company's securities issuable thereupon may, subject to certain conditions, be adjusted. In such event, the Company will, at the request of the holder, issue a new Warrant Certificate evidencing the adjustment in the Exercise Price and the number and/or type of securities issuable upon the exercise of the Warrants; provided, however, that the failure of the Company to issue such new Warrant Certificates shall not in any way change, alter, or otherwise impair, the rights of the holder as set forth in the Warrant Agreement.

Upon due presentment for registration of transfer of this Warrant Certificate at the principal executive office of the Company, a new Warrant Certificate or Warrant Certificates of like tenor and evidencing in the aggregate a like number of Warrants shall be issued to the transferee(s) in exchange for this Warrant Certificate, subject to the limitations provided herein and in the Warrant Agreement, without any charge except for any tax or other governmental charge imposed in connection with such transfer.

Upon the exercise of less than all of the Warrants evidenced by this Certificate, the Company shall forthwith issue to the holder hereof a new Warrant Certificate representing such numbered of unexercised Warrants.

The Company may deem and treat the registered holder(s) hereof as the absolute owner(s) of this Warrant Certificate (notwithstanding any notation of ownership or other writing hereon made by anyone), for the purpose of any exercise hereof, and of any distribution to the holder(s) hereof, and for all other purposes, and the Company shall not be affected by any notice to the contrary.

All terms used in this Warrant Certificate which are defined in the Warrant Agreement shall have the meanings assigned to them in the Warrant Agreement.

This Warrant Certificate does not entitle any Warrant holder to any of the rights of a shareholder of the Company.

IN WITNESS WHEREOF, the Company has caused this Warrant Certificate to be duly executed under its corporate seal.

Dated as of __________________, 200__.

ATTEST:

____
Secretary

CECO ENVIRONMENTAL CORP.

By:___________________________

Name:_________________________

Title:________________________

[FORM OF ELECTION TO PURCHASE PURSUANT TO SECTION 4.1 OF THE WARRANT AGREEMENT]

The undersigned hereby irrevocably elects to exercise the right, represented by Warrant Certificate No. , to purchase shares of Common Stock (as defined in the Warrant Agreement described below) and herewith tenders in payment for such securities a certified or official bank check payable in United States dollars to the order of CECO Environmental Corp., a New York corporation (the "Company") in the amount of $____________, all in accordance with the terms of Section 4.1 of the Warrant Agreement dated as of August 14, 2000 between the Company and Phillip DeZwirek. The undersigned requests that a certificate for such securities be registered in the name of the undersigned, and if said number of shares of Common Stock shall not be all the shares of Common Stock purchasable hereunder, that a new Warrant Certificate for the balance of the shares of Common Stock purchasable under the within Warrant Certificate be registered in the name of the undersigned warrant holder or his assignee as below indicated and delivered to the address stated below.

Dated:____________________

Signature:_________________________
(Signature must conform in all respects to name of holder as specified on the face of the Warrant Certificate.)

Address:____

____

____
(Insert Social Security or Other Identifying Number of Holder)

Signature Guaranteed:____

(Signature must be guaranteed by a bank, savings and loan association, stockbroker, or credit union with membership in an approved signature guaranty Medallion Program pursuant to Securities Exchange Act Rule 17Ad-15.)

EXHIBIT 10.34

INCENTIVE STOCK OPTION AGREEMENT

CECO ENVIRONMENTAL CORP.
1997 STOCK OPTION PLAN

THIS AGREEMENT is dated and made effective as of January 20, 2000 ("Effective Date") by and between CECO ENVIRONMENTAL CORP. a New York corporation (the "Company"), and MARSHALL J. MORRIS ("Optionee").

WITNESSETH:

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

WHEREAS, the Company desires to grant an incentive 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 an incentive stock option to Optionee and has determined that, on the Effective Date, the Fair Market Value of Option Stock of the Company is $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 as many as fifty thousand (50,000) 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. This Option is intended to qualify as an "incentive stock option" within the meaning of Section 422, or any successor provision, of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder.

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

2. Duration and Exercisability.

a. Vesting/Exercise Period. The Option shall become exercisable as to portions of the Shares as follows: (i) the Option shall not be exercisable with respect to any of the Shares until January 20, 2001 (the "First Vesting Date"); (ii) if Optionee has continuously provided services to the Company or any Subsidiary or Parent of the Company from the Effective Date through the First Vesting Date and has not been Terminated (as hereafter defined) on or before the First Vesting Date, then on the First Vesting Date the Option shall become exercisable as to twenty percent (20%) of the Shares (10,000 Shares); and (iii) thereafter,

provided that Optionee continuously provides services to the Company or any Subsidiary of the Company and is not Terminated, upon each successive anniversary of the First Vesting Date, the Option shall become exercisable as to an additional twenty percent (20%) of the Shares (10,000 Shares); provided, that the Option shall in no event ever become exercisable with respect to more than 100% of the Shares. The Shares vesting under the Option have been limited to the number of Shares allowed to conform to the $100,000 limit set forth at Section 9(c) of the Plan.

b. Expiration . The Option shall expire on January 20, 2010 ("Expiration Date") and must be exercised, if at all, on or before the earlier of the Expiration Date and any date on which the Option terminated in accordance with the provisions of Section 3.

c. Lapse Upon Expiration. To the extent that this Option is not exercised prior to the applicable expiration date set forth in Section 2(b) or Section 3 of this Agreement, all rights of Optionee under this Option shall thereupon be forfeited.

3. Termination.

a. Termination for Any Reason Other than Death, Disability or a Change of Control. If Optionee is Terminated for any reason other than his death, Disability or a Change of Control (both terms as hereafter defined), this Option shall be exercisable only to the extent the Option was exercisable on the date of Termination, but had not previously been exercised, and shall expire on the earlier of (i) the close of business three months after the Termination Date (as hereafter defined) and (ii) the Expiration Date. Notwithstanding the foregoing, if the Optionee is terminated for Cause, then the Option shall terminate immediately on the Optionee's Termination Date.

b. Termination Because of Death or Disability. If Optionee is Terminated because of his death or his Disability (or Optionee dies within three (3) months after a Termination other than because of his Disability or for Cause), then this Option shall be exercisable by Optionee, or the person or persons to whom Optionee's rights under this Option shall have passed by Optionee's will or by the laws of descent and distribution, only to the extent the Option was exercisable on the date of Optionee's Termination, but had not previously been exercised, and shall expire on the earlier of: (i) the close of business six months after Optionee's Termination Date and (ii) the Expiration Date.

c. Change of Control. Notwithstanding the provisions of Section 2(a), upon a Change of Control (and without regard for any Termination or absence thereof), the Option shall be fully vested and exercisable by Optionee. The provisions of Section 3(a) or 3(b) shall govern such Option thereafter, as the case may be.

A "Change of Control" shall mean a sale, assignment or other transfer (collectively, "Transfer") of legal or beneficial ownership of shares of the voting stock of the Company (other than as security for a loan), representing

more than one-half of the votes of all such shares of stock then outstanding, to one or more persons other than the owners of stock in the Company or their affiliates or its Subsidiaries on the Effective Date (collectively, the "present owners"). A Change of Control will occur on the date that the present owners cease to own more than one-half of the shares of the voting stock of the Company then outstanding. For this purpose, an "affiliate" is an ancestor or lineal descendant of an individual shareholder of the Company; the grantor, trustee or beneficiary of a shareholder of the Company that is a trust; or any person that directly, or indirectly controls, or is controlled by, or is under common control with a shareholder of the Company.

d. Definitions.

"Termination" or "Terminated" means that Optionee has for any reason ceased to provide services as an employee of the Company or Subsidiary of the Company, except in the case of sick leave, military leave, or any other leave of absence approved by the Administrator, provided that such leave is for a period of not more than ninety (90) days, or reinstatement upon the expiration of such leave is guaranteed by contract or statute. The Administrator shall have sole discretion to determine whether Optionee has ceased to provide services and the effective date on which Optionee ceased to provide services (the "Termination Date").

"Disability" means a permanent and total disability within the meaning of Section 22(e)(3) of the Code (as provided under Section 422(c)(6), or such applicable successor provision, of the Code), as determined by the Administrator.

"Cause" means that Optionee:

(a) shall have been convicted of any felony or a crime involving fraud, theft, misappropriation, dishonesty, or embezzlement;

(b) shall have committed intentional acts that materially impair the goodwill or business of the Company or cause material damage to its property, goodwill or business; or

(c) shall have failed to perform his material duties to the Company (other than as a result of a short-term disability (i.e., a disability that does not fall within the previously defined parameters of a Disability), or a short term disability or medical emergency involving a member of the Optionee's immediate family, or as a result of any Company approved leave).

4. 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. 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 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).

5. Miscellaneous.

a. Employment Rights as Shareholder. This Agreement shall not confer on Optionee any right with respect to continuance of employment by the Company or any Subsidiary, nor shall it affect the right of the Company to Terminate such employment. 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 12 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 stock 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. Subject to the provisions of Section 3(c) of this Agreement, 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. Withholding Taxes on Disqualifying Disposition. In the event of a disqualifying disposition of the Shares acquired through the exercise of this Option, Optionee hereby agrees to promptly provide the Company written notice of such disposition, which notice shall be deemed delivered when received by the Company. Upon notice of a disqualifying disposition, the Company may take such action as it deems appropriate to insure that, if necessary to comply with all applicable federal or state income tax laws or regulations, all applicable federal and state payroll, income or other taxes are withheld from any amounts payable by the Company to Optionee. If the Company is unable to withhold such federal and state taxes, for whatever reason, Optionee hereby agrees to pay to the Company an amount equal to the amount the Company would otherwise be required to withhold under federal or state law. Optionee may, subject to the approval and discretion of the Administrator or such administrative rules it may deem advisable, elect to have all or a portion of such tax withholding obligations satisfied by delivering shares of the Company's Common Stock having a fair market value equal to such obligations. For the purpose of this Section 5(d), a "disqualifying disposition" means a sale or other transfer of any Shares on or before the later of (i) the date two years after the Effective Date and (ii) the date one (1) year after transfer of such Shares to Optionee upon exercise of the Option, as more particularly set forth at Section 422(a)(1) of the Code

e. 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 Participant only by Participant. The terms of the Option shall be binding upon the executors, administrators, successors and assigns of Participant.

f. 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.

g. Accounting Compliance. Optionee agrees that, in the event of a transaction subject to Section 12, treated as a "pooling of interests" under generally accepted accounting principles, and Optionee is an affiliate of the Company or any Subsidiary (as defined in Section 12 of the Plan) at the time of such change of control transaction, Optionee will comply with all requirements of Rule 145 of the Securities Act of 1933, as amended, and the requirements of such other legal or accounting principles, and will execute any documents necessary to ensure such compliance.

h. Stock Legend. The Administrator may require that the certificates for any Shares purchased by Optionee (or, in the case of death, Optionee's successors) bear an appropriate legend to reflect the restrictions of Section 5(g), of this Agreement.

i. 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 by Section 3 or Section 5(e) of this Agreement.

j. 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.

k. 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.

l. 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.

m. Governing Law. The Option shall be governed by and construed in accordance with the internal laws of the State of Ohio, 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.	OPTIONEE
By: /s/ Richard Blum	/s/ Marshall J. Morris
Its: /s/ President	Marshall J. Morris

The Grant set forth in this Agreement has been approved by The Board of Directors of CECO Environmental Corp.

EXHIBIT 10.35

AGREEMENT

This Separation Agreement and General Release (the "Agreement") is made and entered into by and between Steven I. Taub ("Employee") and CECO Filters, Inc., a Delaware corporation (sometimes referred to as the "Company") and CECO Environmental Corp., a New York corporation ("CECO").

1. Separation Date. Employee's employment with the Company ends June 30, 2000 (the "Separation Date"). As of the Separation Date (i) Employee shall resign as President and Chief Executive Officer and as a director of the Company, (ii) the Employment Agreement between Employee, Company and CECO dated September 30, 1997, as amended, and all other benefits and financial arrangements between Company and Employee shall automatically terminate except as specifically set forth herein, (iii) all options issued to Employee pursuant to the Incentive Stock Option Agreement between CECO and Employee dated October 1, 1997 ("Stock Option Agreement") shall immediately terminate, notwithstanding Paragraph 2.b of the Stock Option Agreement.

2. Services. Employee shall cooperate in achieving an orderly transition of responsibility and information within the Company. In addition, following the Separation Date and through and including October 28, 2000 (the "Extension Date"), Employee shall make himself reasonable available to assist the Company in its business operations. Company shall give Employee reasonable notice of where and when Employee's services are required and Employee shall use his reasonable efforts to accommodate such requirements. Employee shall be reimbursed for such reasonable and authorized expenditures which he may incur in the performance of services provided hereunder. Such authorized expenditures will be reimbursed upon presentation by Employee to the Company of receipts relating thereto in the form usually required by the Company according to its regular policy and in conformity with applicable rules and regulations of the Internal Revenue Service.

3. Payment of Earned Wages and Vacation Pay. Not later than the next regularly scheduled payday on or after the Separation Date, the Company will pay Employee all wages that he earned at the Company through the Separation Date, as well as for all vacation days that he had accrued but not used as of that date, in accordance with the following Schedule:

$4,451.92 payable July 13, 2000
$2,225.96 payable July 13, 2000
$4,788.40 payable July 13, 2000
$9,577.00 payable July 27, 2000
$9,577.00 payable Aug 10, 2000
$9,577.00 payable Aug 24, 2000
$9,577.00 payable Sept 7, 2000
$9,577.00 payable Sept 21, 2000
$9,577.00 payable Oct 5, 2000
$9,577.00 payable Oct 19, 2000
$9,577.00 payable Nov 2, 2000

4. Consideration from the Company to Employee.

In consideration for the releases and covenants by Employee set forth in this Agreement, CECO agrees that, provided that Employee fully complies with all of his covenants and obligations under this Agreement (including without limitation those which survive the end of his employment):

(a) CECO shall purchase from Employee all of his CECO stock, aggregating 441,297 shares, at the purchase price of $2.125 per share, pursuant to a Stock Purchase Agreement in substantially the form attached hereto as Exhibit A;

(b) CECO shall purchase from Hilary Taub CECO stock owned by her that was previously transferred from Employee to Hilary Taub, aggregating 124,703 shares at the purchase price of $2.125 per share, pursuant to a Stock Purchase Agreement in substantially the form attached hereto as Exhibit B; and

(c) Company shall pay Taub $678.37 per day through the Extension Date for a total of $81,404.40 (the "Additional Payment"). The Additional Payment shall not include amounts paid for Employee's major medical insurance costs which shall be paid by Employer until the Extension Date. Payments of the Additional Payment shall be made on Company's regularly scheduled paydays.

The Company, at its option, may terminate this Agreement in the event that Hilary Taub does not enter into and perform the terms of a Stock Purchase Agreement pursuant to (b) above.

5. Benefits. Employee's coverage under all of the Company's benefit programs and plans other than the major medical insurance plan will end as of the Separation Date. Employee's coverage under the Company's major medical insurance plan will end as of the Extension Date, and will be paid for by Employer until such date. Employee shall be eligible, at his sole cost and expense, to elect health care continuation coverage as of the Extension Date to the extent required by the Federal Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") or Pennsylvania law, as the case may be. Employee shall be entitled to a certificate of creditable coverage to the extent required by the Federal Health Insurance Portability and Accountability Act. The Company will cooperate with the transfer of Employee's existing 401(k) plan funds from the Company's 401(k) plan as directed by Employee.

6. Released Parties. "Released Parties," as used in this Agreement, shall mean:

(a) with respect to Employee, (1) the Company and any entity or person that controls, is controlled by or is under common control with, including without limitation, CECO and CECO Group, Inc.; and (2) all past and present partners, members, officers, directors, shareholders, agents, employees, officials, employee benefit plans (and their sponsors, fiduciaries (to the extent permitted by the Employee Retirement Income Security Act of 1974) and administrators), insurers, and attorneys of any entity or person described in part (1) of this Paragraph 6(a); and

(b) with respect to the Company, Employee.

7. Release. In consideration for the respective promises described herein and for the stock purchases and other consideration described in paragraph 3 above, which Employee acknowledges are in excess of any earned salary, wages or benefits due and owing to Employee, Employee, on behalf of himself and his agents, representatives, attorneys, assigns, heirs, executors, and administrators, and Company, on behalf of itself, its agents, representatives, attorneys, successors and assigns, fully releases each of the Released Parties indicated with respect to such releasing party in Paragraph 6 hereof, from any and all liability, claims, demands, actions, causes of action, suits, grievances, debts, sums of money, agreements, promises, damages, back and front pay, costs, expenses, attorneys fees, and remedies of any type, known or unknown, liquidated or unliquidated, absolute or contingent, at law or in equity, which were or could have been filed with any Federal, state, or local court, agency, arbitrator or any other entity, regarding any act or failure to act that occurred up to and including the date on which Employee signs this Agreement, including but not limited to relating to Employee's employment with and separation of employment from the Company and including but not limited to all claims, actions or liability under: (1) Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Civil Rights Act of 1866 (42 U.S.C. ss.1981), the Age Discrimination in Employment Act, the Americans With Disabilities Act, the Fair Labor Standards Act, the Equal Pay Act, the National Labor Relations Act, the Employee Retirement Income Security Act and the Family and Medical Leave Act, (2) any other federal, state or local statute, ordinance, regulation, or constitutional provision regarding employment, payment of wages, compensation, employee benefits, termination of employment, or discrimination in employment; and (3) the common law of the United States, Pennsylvania or any other state relating to contracts, wrongful discharge, fraud, defamation, or any other matter. This Agreement shall not waive or release any rights or claims that Employee or the Company may have against the other which arise after the date that Employee signs this Agreement. Employee does herein waive his right to re-employment, reinstatement and Employee does herein agree not to reapply for employment with the Company or CECO or any affiliate therof.

8. Covenant Not To Sue. Except for an action arising out of a breach of this Agreement, each of CECO and Employer on the one hand, and Employee on the other hand agrees, on behalf of itself/himself and its/his agents, representatives, attorneys, successors, assigns, heirs, executors, and administrators, never to bring (or cause to be brought) any claim, action or proceeding against any of the Released Parties regarding any act or failure to act that occurred up to and including the date on which CECO or Employer/Employee signs this Agreement, including but not limited to any claim, action or proceeding relating to Employee's employment with or separation of employment from the Company. If any such claim, action or proceeding has been brought before such party signs this Agreement, the tender of this Agreement shall be sufficient to obtain a dismissal of such claim, action or proceeding and the complaining party shall pay for all attorney fees and costs incurred by the other party to enforce this covenant. The complaining party must and will take all steps necessary to cause it to be withdrawn and dismissed with prejudice. If any such claim, action or proceeding is brought after Employee signs this Agreement, Employee will immediately become ineligible for any further consideration from the Company under this Agreement and must and will return to the Company all consideration already received from the Company under this Agreement, except that the purchase

of stock by CECO from Employee and Hilary Taub shall not be reversed or otherwise affected by the bringing of such claim, action or proceeding.

9. Non-admission. This Agreement does not constitute an admission by any of the Released Parties, and the Company specifically denies, that any action that any of the Released Parties has taken or has failed to take with respect to Employee was wrongful, unlawful, or susceptible of inflicting any damages or injury on Employee.

10. Confidentiality of Agreement. Except as may be specifically required by law, Employee will not (without the prior written consent of the Chairman of CECO) disclose, publish, indicate, or in any manner communicate any of the terms of this Agreement to any other person or entity except his attorney(s) or accountant(s). Prior to any such authorized disclosure, Employee will inform each such person to whom disclosure is to be made that the terms of this Agreement are confidential and secure the agreement of each such person to maintain the confidentiality of all terms of this Agreement. If Employee is specifically required by law to disclose any of the terms or provisions of this Agreement, Employee will, before making any such disclosure, provide prompt written notice to the Chairman of CECO in which Employee shall describe the reason for, and the scope, nature, and timing of, any such legally required disclosure.

11. Confidential Information. Employee acknowledges and agrees that during the course of his employment he has been in continuous contact with customers, suppliers and others doing business with the Company throughout the world. Employee further acknowledges that the performance of his duties has exposed him to data and information of a confidential nature concerning the business and affairs of the Company and its customers and suppliers, including but not limited to information relative to strategic plans, business model, sales methods, new programs, profitability analysis and related information, customers and customer buying patterns, suppliers and sources of supply, and the entirety of the systems, methods, processes and procedures and operations utilized in the provision of goods and services to customers. All such data (collectively the "Confidential Information") is vital, sensitive, confidential, and proprietary to the Company and/or its customers and suppliers.

Employee expressly agrees that as an employee of the Company he has been under a duty of confidentiality, and that this duty extends indefinitely beyond his employment. Employee expressly agrees that he will not, directly or indirectly, whether as a director, shareholder, owner, partner, member, employee or agent of any business, or in any other capacity, make known, disclose, furnish, make available, or utilize any of the Confidential Information. Employee's obligation under this paragraph with respect to particular Confidential Information shall terminate at such time (if any) as the Confidential Information in question becomes generally known to the public other than through a breach of Employee's obligations hereunder. The obligations or confidentiality hereunder shall not relate to information which:

(a) presently is in the public domain;

(b) hereafter becomes part of the public domain by publication or otherwise through no action of Employee or any person or entity subject to confidentiality requirements similar to those contained in this agreement; or

(c) hereafter is obtained by Employee from a source other than a Released Party, which was not under an obligation of confidentiality to a Released Party.

12. Non-Solicitation.

(a) Employee agrees that, for one year following the Extension Date, he will not approach or attempt to entice away or in any other manner solicit, persuade or attempt to persuade: (i) any employee of the Company to discontinue such employee's employment with the Company, or (ii) any client, customer, affiliate, sponsor or strategic partner of the Company to discontinue or otherwise reduce or modify the amount or manner of business with the Company

(b) Employee acknowledges that the Confidential Information is proprietary property of the Company, as are the relationships of the Company with its clients, customers, affiliates, sponsors and strategic partners, from which the Company derives a competitive advantage and economic value, and the confidentiality of which must be maintained; and that any disclosure of Confidential Information or breach of the non-solicitation provisions of Paragraph 12(a) or breach of the provisions of Paragraph 13 would cause irreparable harm to the Company and that monetary damages alone would not be sufficient to cure any such resultant harm. Employee further acknowledges that the restrictions contained in Paragraphs 11, 13 and this Paragraph 12 are reasonable in light of the interest of the Company in protecting its businesses, and that such restrictions will not prevent him from earning a livelihood in Employee's chosen career and business. Therefore, in the event of any actual or threatened breach by Employee of any of the provisions of Paragraph 11, Paragraph 12, or Paragraph 13 of this Agreement, the Company will be entitled to injunctive relief without posting a bond, in addition to such other rights and remedies which may be available to the Company at law or in equity.

13. Non-Compete; Right of First Refusal. Employee agrees that for a period commencing on the Separation Date and continuing for one year from the Extension date, Employee will not, within the continental Unites States, directly or indirectly engage in the business of the manufacture and sale of fiber bed filter and bag house medium pollution control systems or in any other business competitive with the Company. Directly or indirectly engaging in the business of the manufacture and sale of fiber bed filter and bag house medium pollution control systems or in any competitive business shall include engaging in business as owner, partner or agent, or as employee of any person, firm or corporation engaged in such business, or being interested directly or indirectly in any such business conducted by any person, firm, corporation, or other entity or association. Employee's ownership of less than five percent (5%) of the outstanding voting securities of any publicly traded company shall not violate the foregoing prohibition.

Notwithstanding the foregoing, Employee, commencing after the Extension Date, may engage in consulting activities involving environmental matters, including air quality improvement matters; provided, that in the event that Employee is presented with or finds an opportunity for CECO or its affiliates at any time within one (1) year from the Extension Date, Employee shall first present such opportunity to CECO. In the event that CECO declines an opportunity after

Employee notifies CECO in writing of such opportunity, Employee may offer such opportunity to another company that may be engaged in a similar business to CECO or the Company. If CECO does not notify Employee that CECO or one of its affiliates is interested in pursuing such opportunity within 10 days of receiving written notice of an opportunity, CECO shall be deemed to have declined such opportunity; provided, that if the circumstances or terms of such opportunity change, Employee shall again be required to first offer such opportunity to CECO prior to any other party. An opportunity for CECO shall include the identification of (i) potential customers for CECO or its affiliates, (ii) available equipment or services for acquisition by CECO or its affiliates, (iii) strategic alliance opportunities for CECO or its affiliates, and (iv) such other opportunities that may benefit CECO or its affiliates. With respect to opportunities brought to CECO by Employee that CECO pursues and closes, CECO shall treat Employee as a finder and shall compensate him as agreed to among the parties based upon similar customary transactions. "Affiliates" for purposes of this Agreement means with respect to any party, any entity or person that, directly or indirectly, controls, is controlled by or is under common control with such party. For purposes of this Section 13, the term "opportunity" shall mean a corporate opportunity that is or represents a transaction, business arrangement, acquisition, deal, purchase, sale, partnership, joint venture or alliance opportunity, potential customer or vendor relationship or other business activity of the type or nature in which CECO or any of its direct or indirect subsidiaries are currently involved or otherwise engaged as of the date of this Agreement.

14. Return of Company Materials and Property and Delivery of Current Activity Report Upon Termination.

(a) No later than two business days after the Separation Date, Employee shall return to the Company all the Company property, including but not limited to equipment, keys, phone cards, passkeys, documents, memoranda, correspondence, manuals, handbooks, and any and all other records or documents, including information stored on computer disks or in computer readable form, with no right of retention of any copy, except that Employee may retain such items as are necessary for Employee to perform the services set forth in paragraph 2; provided, all such items shall be returned to the Company no later than two business days after the Extension Date. The Company may assert its authority and rights under this Paragraph 14(a) by inspection.

(b) No later than five (5) business days after the Separation Date, and in accordance with Employee's duties as an employee of the Company through the Separation Date, Employee shall deliver to the Company a complete activity report of recent, current and pending contacts and relationships with all clients, customers, affiliates, strategic partners, and potential clients, customers, affiliates, and strategic partners, of the Company. Such activity report shall be in writing and shall present, in an organized and easily understood manner,

(i) the names and address of all such parties,

(ii) the name, telephone number, facsimile number and e-mail address (as may apply) of each person with whom Employee has had any substantive contact for each such party,

(iii) the last date of any personal meeting and the last date of any conversation without a personal meeting with each such contact person,

(iv) the substance of the last such meeting and last such conversation, as well as a summary of all prior personal meetings and conversations with such contact person in which substantive business discussions occurred,

(v) the status of all such discussions, and

(vi) all other information known to Employee upon which the Company reasonably would conclude that it may have any obligation whatsoever to any such parties as a result of the business activity of Employee, or any other employee of the Company

15. No Encouragement of Claims, No Disparagement.

(a) Employee will not encourage any person to file a lawsuit, charge, claim, or complaint against any of the Released Parties. Employee will not assist any person who has filed a lawsuit, charge, claim, or complaint against any of the Released Parties unless and only to the extent that he is required to render such assistance pursuant to a lawful subpoena or other legal obligation. If Employee is served with any such legal subpoena or becomes subject to any such legal obligation, he will provide prompt written notice to the chief executive officer of the Company, in which he shall enclose a copy of the subpoena and any other documents describing the legal obligation.

(b) Neither Employee nor the Company shall at any time, including without limitation any time following the last payment by the Company to Employee under this Agreement, make any negative or disparaging statements about Employee's employment with the Company, the termination of that employment or any other dealings of any kind between Employee and the Company and/or CECO, to any third party, including without limitation, any past, present or prospective employee of the Company or any of its affiliates, or any client, customer, affiliate, partner, sponsor or potential client, customer, affiliate, partner or sponsor of the Company or its affiliates (including without limitation any person employed by or otherwise associated with any education institution in the business and educational community in which the Company or its affiliates conducts business); provided, the Company shall not be liable for any unauthorized disparaging statement by any employee of the Company provided that the Company exercises reasonable due diligence to inform and direct all of its employees of the existence and obligations of the Company under this non-disparagement covenant.

16. Entire Agreement. This Agreement contains the entire agreement and understanding between Employee and the Company concerning the matters described herein, and supersedes all prior agreements, discussions, negotiations, understandings, and proposals of the parties. The terms of this Agreement cannot be changed except in a subsequent document signed by Employee and an authorized representative of the Company.

17. Costs and Attorneys' Fees. If either party to this Agreement institutes a legal action to enforce its rights under any provision of this Agreement, the non-prevailing party in such action shall be liable to the prevailing party for the costs and reasonable attorneys' fees incurred by the prevailing party in connection with the action.

18. Severability. The provisions of this Agreement shall be severable and the invalidity of any provision shall not affect the validity of the other provisions; provided, however, that if Employee brings a lawsuit, claim, charge, or complaint against any of the Released Parties, and a court of competent jurisdiction finds that a release or waiver of claims or rights by Employee in Paragraph 7 above, or a covenant by Employee in Paragraph 8 above, is illegal, void or unenforceable, Employee agrees, at the Company's option, either to execute promptly a release, waiver and/or covenant that is legal and enforceable or to return promptly to the Company the full value of the consideration provided to Employee under Paragraph 4 and Paragraph 5 above.

19. Applicable Law. This Agreement shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Agreement shall be governed by, the laws of the State of Pennsylvania, without giving effect to that state's principles regarding conflict of laws.

20. Knowing and Voluntary Waiver. Employee acknowledges that:

(i) he has carefully read this Agreement and fully understands its meaning;

(ii) he was advised in writing by the Company to consult with an attorney before he signed this Agreement;

(iii) he was not coerced into signing this Agreement;

(iv) he agrees to all the terms of this Agreement and is entering into it knowingly and voluntarily; and

(v) the only consideration he is receiving for signing this Agreement is described herein, and no other promises or representations of any kind have been made by any person or entity to cause him to sign this Agreement.

21. Orderly Transition. It shall be of the essence of this Agreement that Employee will assist in achieving an orderly transition of responsibilities to his designated successor with respect to each responsibility.

22. Counterparts. This Agreement may be executed in counterparts and will be as fully binding as if signed in one entire document.

EMPLOYEE	CECO Filters, Inc.
/s/ Steven J. Taub	By: /s/ Phillip DeZwirek
Steven I. Taub	Its: /s/ Chairman
Date: /s/ 7/5/00	Date: /s/ July 5/00

CECO Environmental Corp.

By: /s/ Phillip DeZwirek

Its: /s/ Chairman & CEO

Date: /s/ July 5/00

EXHIBIT 10.36

STOCK SALE AGREEMENT

This agreement (the "Agreement") is made as of the /s/ 5th day of /s/ July, 2000 by and between Steven I. Taub (the "Seller"), and CECO Environmental Corp. (the "Purchaser").

RECITALS:

A. The Seller desires to sell 441,297 shares of the common stock of the Purchaser (the "Shares") for $2.125 per share.

C. Purchaser desires to purchase the Shares.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual representations, warranties and undertakings contained herein, the parties hereto agree as follows:

1. Sale and Purchase of Shares. In accordance with the terms and subject to the conditions contained herein, the Purchaser hereby agrees to purchase from the Seller and the Seller hereby agrees to sell to the Purchaser the Shares for aggregate purchase consideration of $937,756.13 (the "Purchase Price").

2. The Closing. The closing (the "Closing") shall occur on June 30, 2000. On the date of the Closing the Seller shall deliver to the Purchaser certificates representing the Shares ("Certificates") endorsed in blank or accompanied by assignments separate from certificate sufficient to transfer the Shares into the name of Purchaser and Purchaser shall deliver to the Seller the Purchase Price by certified check or immediately available funds via wire transfer.

3. Representations and Warranties of the Seller. The Seller hereby represents and warrants to the Purchaser as follows:

3.1 Authority Relative to this Agreement. The Seller has the authority to enter into this Agreement. This Agreement has been duly executed and delivered by the Seller and is a valid and binding Agreement enforceable in accordance with its terms except as such enforcement is subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally.

3.2 No Violation or Conflict. Neither the execution nor the consummation of this Agreement will violate or result, with the giving of notice or lapse of time, or both, in a violation of or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or lapse of time or both) any obligation under, or result in the creation of imposition of any lien, charge, pledge, security interest or other encumbrance upon the property of the Seller pursuant to any provision of any contract, agreement, note, mortgage, lien, indenture, license, lease, other instrument, law, ordinance, regulation, arbitration, order, judgment or decree to which the Seller is a party or by which it, or its property is bound, or permit the termination of any agreement, instrument, lien, license, lease or mortgage to which the Seller is a party.

3.4 Court Orders, Decrees and Laws. There is no outstanding or, to the Seller's knowledge, threatened, order, writ, injunction or decree of any court, government agency or arbitrational tribunal against or affecting the Seller or any of its assets that would significantly interfere with the Seller's ability to consummate the transaction contemplated by this Agreement.

3.5 Absence of Litigation. There is no action, suit, proceeding, claim, arbitration or investigation pending or, to the best knowledge of the Seller, threatened or contemplated by any person including, without limitation any governmental or regulatory agency, against the Seller or with respect to the assets of the Seller or which seeks to prohibit, restrict or delay consummation of this Agreement or the transactions contemplated hereby. There is no factual basis known to the Seller which is known to present a possibility for any such action, suit, proceeding, claim, arbitration or investigation.

3.6 Encumbrances. Seller has good and marketable title to the Shares free and clear of all liens, charges, encumbrances, security interests and claims whatsoever.

3.7 Status of Seller. Seller is an executive officer of CECO Filters, Inc. Seller has been given access to all the information that Seller considers necessary or appropriate for deciding whether to sell the Shares. Seller further represents that he has had an opportunity to ask questions and receive answers from Purchaser regarding the business, properties, prospects and financial condition of the Purchaser and its affiliates.

4. Representations, Warranties and Covenants of the Purchaser. The Purchaser hereby represents and warrants to the Seller as follows:

4.1 The Purchaser. The Purchaser is a corporation duly organized and validly existing under the laws of the State of New York and has all requisite right, power and authority necessary to own, lease and operate all of its property and to carry on its business as it is now being carried on.

4.2 Authority Relative to the Contracts. The Purchaser has the authority to enter into this Agreement. This Agreement has been duly executed and delivered by the Purchaser and is a valid and binding Agreement enforceable in accordance with its terms except as such enforcement is subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally.

4.3 No Violation or Conflict. Neither the execution nor the consummation of this Agreement will violate any provision of the articles of organization or operating agreement of the Purchaser or violate or result, with the giving of notice or lapse of time, or both, in a violation of or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or lapse of time or both) any obligation under, or result in the creation of imposition of any lien, charge, pledge, security interest or other encumbrance upon the property of the Purchaser pursuant to any provision of any contract, agreement, note, mortgage, lien, indenture, license, lease, other instrument, law, ordinance, regulation, arbitration, order, judgment or decree to which the Purchaser is a party or by which it, or its property is bound, or permit the termination of any agreement, instrument, lien, license, lease or mortgage to which the Purchaser is a party.

4.4 Court Orders, Decrees and Laws. There is no outstanding or, to the Purchaser's knowledge, threatened, order, writ, injunction or decree of any court, government agency or arbitrational tribunal against or affecting the Purchaser or any of its assets that would significantly interfere with the Purchaser's ability to consummate the transaction contemplated by this Agreement.

4.5 Absence of Litigation. There is no action, suit, proceeding, claim, arbitration or investigation pending or, to the best knowledge of the Purchaser, threatened or contemplated by any person including, without limitation any governmental or regulatory agency, against the Purchaser or with respect to the assets of the Purchaser or which seeks to prohibit, restrict or delay consummation of this Agreement or the transactions contemplated hereby. There is no factual basis known to the Purchaser which is known to present a possibility for any such action, suit, proceeding, claim, arbitration or investigation.

5. Conditions Precedent to Obligations of the Purchaser. Consummation of the transaction contemplated hereby on the part of the Purchaser is subject to the fulfillment, to the reasonable satisfaction of the Purchaser, of each of the following conditions:

5.1 Representations True at Closing. The representations and warranties of the Seller contained in Section 3 of this Agreement shall be true in all material respects on the date hereof and at the time of the delivery of the Certificates.

5.2 Litigation. No litigation or proceeding shall be pending or threatened to restrain, set aside or invalidate the transactions contemplated by this Agreement.

5.3 Separation Agreement. Seller has entered into and is not in default of that certain Separation Agreement among Purchaser, Seller and CECO Filters, Inc.

5.4 Hilary Taub Agreement. Hilary Taub has entered into and performed her obligations pursuant to a Stock Purchase Agreement among Hilary Taub, CECO Filters, Inc. and Purchaser in form satisfactory to Purchaser.

6. Conditions Precedent to Obligations of the Seller. Consummation of the transactions contemplated hereby on the part of the Seller is subject to the fulfillment, to the reasonable satisfaction of the Seller of each of the following conditions:

6.1 Representations True at Closing. The Purchaser's representations and warranties contained in Section 4 of this Agreement shall be true in all material respects at the date hereof and at the time of the delivery of the Certificates.

6.2 Litigation. No litigation or proceeding shall be pending or threatened to restrain, set aside or invalidate the transactions

contemplated by this Agreement.

7. Survival of Representations, Warranties, Covenants and Agreements. All warranties, representations, covenants and agreements made hereunder shall survive the Closing.

8. Termination. If any of the conditions for the consummation by the Seller or the Purchaser of the closing of the transactions hereunder shall not have been fulfilled (despite the best efforts of the party, if any, obligated to fulfill such condition) or waived by July 15, 2000, then this Agreement may thereafter be terminated by any party hereto. Such termination hereunder shall be effected by notice by the terminating party to the other parties hereunder, and upon such termination this Agreement shall be without further force and effect, and no party hereto shall be liable to any other for any claim, damage, cost or expense arising from the execution and delivery of this Agreement or the failure to consummate the transactions contemplated hereby.

9. Remedies. The parties hereto, in addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, shall be entitled to specific performance of their rights under this Agreement and all other appropriate equitable remedies. The parties agree that monetary damages would not be adequate compensation for any loss incurred by reason of a breach of the provisions of this Agreement, and hereby agree to waive the defense, in any action for specific performance, that monetary damages would be adequate compensation. The parties hereto further agree that in the event of any breach of this Agreement, the breaching party shall be liable for all damages arising as a consequence of such breach, including without limitation, costs and expenses (including, without limitation, attorneys' fees), incurred by the non-breaching party in attempting to enforce its rights hereunder.

10. Miscellaneous. It is the understanding of the parties hereto that:

10.1 Waiver. Any party may, at its option, waive in writing any or all of the conditions herein contained to which its obligations hereunder are subject.

10.2 Expenses. Each party hereto shall bear its own expenses in connection with this Agreement and the transactions contemplated herein.

10.3 Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, with respect to the subject matter hereof. This Agreement shall not be modified or amended except by written agreement of the parties hereto. Captions appearing in this Agreement are for convenience only and shall not be deemed to explain, limit or amplify the provisions or contents hereof.

10.4 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

10.5 Binding Effect; Assignment. All the terms, provisions, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective heirs and successors. This Agreement and the rights and obligations of the parties hereto shall not be assigned or delegated by any party hereto without the written consent of the other parties hereto.

10.6 Notices. Any notice or other instrument or thing required or permitted to be given, served or delivered to any of the parties hereto shall be in writing and shall be considered given when hand-delivered to the recipient, or when delivered to an internationally recognized courier service, or when deposited with the U.S. Postal Service using certified mail, postage prepaid, addressed to the recipient at:

The Seller:

Steven I. Taub
____

____

The Purchaser:

CECO Environmental Corp.
505 University Avenue
Suite 1400
Toronto, Ontario M5G 1X3
Canada
Attn: Phillip DeZwirek

with a copy to:

Leslie J. Weiss, Esq.
Sugar, Friedberg & Felsenthal
30 North LaSalle Street
Suite 2600
Chicago, Illinois 60602

or at such other address as a party may designate to another party in accordance with the terms of this Section 10.6.

10.7 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to its rules governing conflicts of laws) of the State of Pennsylvania.

10.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.9 Costs and Attorneys' Fees. If either party to this Agreement institutes a legal action to enforce its rights under any provision of this Agreement, the non-prevailing party in such action shall be liable to the prevailing party for the costs and reasonable attorneys' fees incurred by the prevailing party in connection with the action.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CECO Environmental Corp.

By: /s/ Phillip DeZwirek

Its: /s/ Chairman

.

/s/ Steven J. Taub

Steven I. Taub

EXHIBIT 10.37

STOCK SALE AGREEMENT

This agreement (the "Agreement") is made as of the /s/ 5th day of /s/ July, 2000 by and between Hilary Taub (the "Seller"), and CECO Environmental Corp. (the "Purchaser").

RECITALS:

A. The Seller desires to sell 124,703 shares of the common stock of the Purchaser (the "Shares") for $2.125 per share.

B. Purchaser desires to purchase the Shares.

AGREEMENT:

NOW, THEREFORE, in consideration of the mutual representations, warranties and undertakings contained herein, the parties hereto agree as follows:

11. Sale and Purchase of Shares. In accordance with the terms and subject to the conditions contained herein, the Purchaser hereby agrees to purchase from the Seller and the Seller hereby agrees to sell to the Purchaser the Shares for aggregate purchase consideration of $264,993.88 (the "Purchase Price").

12. The Closing. The closing (the "Closing") shall occur on June 30, 2000. On the date of the Closing the Seller shall deliver to the Purchaser certificates representing the Shares ("Certificates") endorsed in blank or accompanied by assignments separate from certificate sufficient to transfer the Shares into the name of Purchaser and Purchaser shall deliver to the Seller the Purchase Price by certified check or immediately available funds via wire transfer.

13. Representations and Warranties of the Seller. The Seller hereby represents and warrants to the Purchaser as follows:

3.1 Authority Relative to this Agreement. The Seller has the authority to enter into this Agreement. This Agreement has been duly executed and delivered by the Seller and is a valid and binding Agreement enforceable in accordance with its terms except as such enforcement is subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally.

3.2 No Violation or Conflict. Neither the execution nor the consummation of this Agreement will violate or result, with the giving of notice or lapse of time, or both, in a violation of or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or lapse of time or both) any obligation under, or result in the creation of imposition of any lien, charge, pledge, security interest or other encumbrance upon the property of the Seller pursuant to any provision of any contract, agreement, note, mortgage, lien, indenture, license, lease, other instrument, law, ordinance, regulation, arbitration, order, judgment or decree to which the Seller is a party or by which it, or its property is bound, or permit the termination of any agreement, instrument, lien, license, lease or mortgage to which the Seller is a party.

3.3 Court Orders, Decrees and Laws. There is no outstanding or, to the Seller's knowledge, threatened, order, writ, injunction or decree of any court, government agency or arbitrational tribunal against or affecting the Seller or any of its assets that would significantly interfere with the Seller's ability to consummate the transaction contemplated by this Agreement.

3.4 Absence of Litigation. There is no action, suit, proceeding, claim, arbitration or investigation pending or, to the best knowledge of the Seller, threatened or contemplated by any person including, without limitation any governmental or regulatory agency, against the Seller or with respect to the assets of the Seller or which seeks to prohibit, restrict or delay consummation of this Agreement or the transactions contemplated hereby. There is no factual basis known to the Seller which is known to present a possibility for any such action, suit, proceeding, claim, arbitration or investigation.

3.5 Encumbrances. Seller has good and marketable title to the Shares free and clear of all liens, charges, encumbrances, security interests and claims whatsoever.

3.6 Status of Seller. Seller has been given access to all the information that Seller considers necessary or appropriate for deciding whether to sell the Shares. Seller further represents that she has had an opportunity to ask questions and receive answers from Purchaser regarding the business, properties, prospects and financial condition of the Purchaser and its affiliates, including without limitation from Steven I. Taub, an executive officer of CECO Filters, Inc.

14. Representations, Warranties and Covenants of the Purchaser. The Purchaser hereby represents and warrants to the Seller as follows:

4.1 The Purchaser. The Purchaser is a corporation duly organized and validly existing under the laws of the State of New York and has all requisite right, power and authority necessary to own, lease and operate all of its property and to carry on its business as it is now being carried on.

4.2 Authority Relative to the Contracts. The Purchaser has the authority to enter into this Agreement. This Agreement has been duly executed and delivered by the Purchaser and is a valid and binding Agreement enforceable in accordance with its terms except as such enforcement is subject to bankruptcy, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally.

4.3 No Violation or Conflict. Neither the execution nor the consummation of this Agreement will violate any provision of the articles of organization or operating agreement of the Purchaser or violate or result, with the giving of notice or lapse of time, or both, in a violation of or result in the acceleration of or entitle any party to accelerate (whether after the giving of notice or lapse of time or both) any obligation under, or result in the creation of imposition of any lien, charge, pledge, security interest or other encumbrance upon the property of the Purchaser pursuant to any provision of any contract, agreement, note, mortgage, lien, indenture, license, lease, other instrument, law, ordinance, regulation, arbitration, order, judgment or decree to which the Purchaser is a party or by which it, or its property is bound, or permit the termination of any agreement, instrument, lien, license, lease or mortgage to which the Purchaser is a party.

4.4 Court Orders, Decrees and Laws. There is no outstanding or, to the Purchaser's knowledge, threatened, order, writ, injunction or decree of any court, government agency or arbitrational tribunal against or affecting the Purchaser or any of its assets that would significantly interfere with the Purchaser's ability to consummate the transaction contemplated by this Agreement.

4.5 Absence of Litigation. There is no action, suit, proceeding, claim, arbitration or investigation pending or, to the best knowledge of the Purchaser, threatened or contemplated by any person including, without limitation any governmental or regulatory agency, against the Purchaser or with respect to the assets of the Purchaser or which seeks to prohibit, restrict or delay consummation of this Agreement or the transactions contemplated hereby. There is no factual basis known to the Purchaser which is known to present a possibility for any such action, suit, proceeding, claim, arbitration or investigation.

15. Conditions Precedent to Obligations of the Purchaser. Consummation of the transaction contemplated hereby on the part of the Purchaser is subject to the fulfillment, to the reasonable satisfaction of the Purchaser, of each of the following conditions:

5.1 Representations True at Closing. The representations and warranties of the Seller contained in Section 3 of this Agreement shall be true in all material respects on the date hereof and at the time of the delivery of the Certificates.

5.2 Litigation. No litigation or proceeding shall be pending or threatened to restrain, set aside or invalidate the transactions contemplated by this Agreement.

5.3 Separation Agreement. Seller has entered into and is not in default of that certain Separation Agreement among Purchaser, Seller and CECO Filters, Inc.

5.4 Steven I. Taub Agreement. Steven I. Taub has entered into and performed his obligations pursuant to a Stock Purchase Agreement among Steven I. Taub, CECO Filters, Inc. and Purchaser in form satisfactory to Purchaser.

16. Conditions Precedent to Obligations of the Seller. Consummation of the transactions contemplated hereby on the part of the Seller is subject to the fulfillment, to the reasonable satisfaction of the Seller of each of the following conditions:

6.1 Representations True at Closing. The Purchaser's representations and warranties contained in Section 4 of this Agreement shall be true in all material respects at the date hereof and at the time of the delivery of the Certificates.

6.2 Litigation. No litigation or proceeding shall be pending or threatened to restrain, set aside or invalidate the transactions contemplated by this Agreement.

17. Survival of Representations, Warranties, Covenants and Agreements. All warranties, representations, covenants and agreements made hereunder shall survive the Closing.

18. Termination. If any of the conditions for the consummation by the Seller or the Purchaser of the closing of the transactions hereunder shall not have been fulfilled (despite the best efforts of the party, if any, obligated to fulfill such condition) or waived by July 15, 2000, then this Agreement may thereafter be terminated by any party hereto. Such termination hereunder shall be effected by notice by the terminating party to the other parties hereunder, and upon such termination this Agreement shall be without further force and effect, and no party hereto shall be liable to any other for any claim, damage, cost or expense arising from the execution and delivery of this Agreement or the failure to consummate the transactions contemplated hereby.

19. Remedies. The parties hereto, in addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, shall be entitled to specific performance of their rights under this Agreement and all other appropriate equitable remedies. The parties agree that monetary damages would not be adequate compensation for any loss incurred by reason of a breach of the provisions of this Agreement, and hereby agree to waive the defense, in any action for specific performance, that monetary damages would be adequate compensation. The parties hereto further agree that in the event of any breach of this Agreement, the breaching party shall be liable for all damages arising as a consequence of such breach, including without limitation, costs and expenses (including, without limitation, attorneys' fees), incurred by the non-breaching party in attempting to enforce its rights hereunder.

20. Miscellaneous. It is the understanding of the parties hereto that:

10.1 Waiver. Any party may, at its option, waive in writing any or all of the conditions herein contained to which its obligations hereunder are subject.

10.2 Expenses. Each party hereto shall bear its own expenses in connection with this Agreement and the transactions contemplated herein.

10.3 Entire Agreement. This Agreement sets forth the entire understanding of the parties and supersedes all prior agreements, arrangements and communications, whether oral or written, with respect to the subject matter hereof. This Agreement shall not be modified or amended except by written agreement of the parties hereto. Captions appearing in this Agreement are for convenience only and shall not be deemed to explain, limit or amplify the provisions or contents hereof.

10.4 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

10.5 Binding Effect; Assignment. All the terms, provisions, covenants and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective heirs and successors. This Agreement and the rights and obligations of the parties hereto shall not be assigned or delegated by any party hereto without the written consent of the other parties hereto.

10.6 Notices. Any notice or other instrument or thing required or permitted to be given, served or delivered to any of the parties hereto shall be in writing and shall be considered given when hand-delivered to the recipient, or when delivered to an internationally recognized courier service, or when deposited with the U.S. Postal Service using certified mail, postage prepaid, addressed to the recipient at:

The Seller:

Hilary Taub

____

____

The Purchaser:

CECO Environmental Corp.
505 University Avenue
Suite 1400
Toronto, Ontario M5G 1X3
Canada
Attn: Phillip DeZwirek

with a copy to:

Leslie J. Weiss, Esq.
Sugar, Friedberg & Felsenthal
30 North LaSalle Street
Suite 2600
Chicago, Illinois 60602

or at such other address as a party may designate to another party in accordance with the terms of this Section 10.6.

10.7 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws (as opposed to its rules governing conflicts of laws) of the State of Pennsylvania.

10.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

10.9 Costs and Attorneys' Fees. If either party to this Agreement institutes a legal action to enforce its rights under any provision of this Agreement, the non-prevailing party in such action shall be liable to the prevailing party for the costs and reasonable attorneys' fees incurred by the prevailing party in connection with the action.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

CECO Environmental Corp.

By: /s/ Phillip DeZwirek

Its: /s/ Chairman & CEO

.

/s/ Hilary Taub

Hilary Taub

EXHIBIT 10.38

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.

THIS NOTE IS SUBJECT TO THE TERMS OF THE SUBORDINATION AGREEMENT (AS DEFINED HEREIN IN SECTION 8) IN FAVOR OF PNC BANK, NATIONAL ASSOCIATION, AS AGENT FOR CERTAIN BANKS. NOTWITHSTANDING ANY CONTRARY STATEMENT CONTAINED IN THE WITHIN INSTRUMENT, NO PAYMENT ON ACCOUNT OF ANY OBLIGATION ARISING FROM OR IN CONNECTION WITH THE WITHIN INSTRUMENT OR ANY RELATED AGREEMENT (WHETHER OF PRINCIPAL, INTEREST OR OTHERWISE) SHALL BE MADE, PAID, RECEIVED OR ACCEPTED EXCEPT IN ACCORDANCE WITH THE TERMS OF THE SUBORDINATION AGREEMENT.

CECO Environmental Corp.
REPLACEMENT
PROMISSORY NOTE

$4,000,000 March 12, 2001

WHEREAS, Green Diamond Oil Corp., an Ontario corporation ("Green Diamond") has prior to this date advanced $4,000,000 (the "Advance") to CECO Environmental Corp.

WHEREAS, the terms of the Advance are set forth in a Promissory Note dated December 7, 1999, (the "Original Note"), which Original Note shall be cancelled and replaced by this Replacement Promissory Note.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a New York corporation, hereby promises to pay to the order of Green Diamond or registered assigns ("Holder"), the principal sum of FOUR MILLION DOLLARS ($4,000,000) 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 principal amount of $5,000,000 issued in connection with a 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) six and one-half (6 1/2) years from the December 7, 1999; (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 hereof. Accrued Interest shall be due and payable on June 30 and December 31 of each year commencing June 30, 2000 and on the Maturity Date. Notwithstanding the foregoing, interest due under this Note on June 30, 2000 and December 31, 2000, will be paid in accordance with the terms of the Subordination Agreement. 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. Conversion.

a. Conversion Procedure.

(1) At any time and from time to time, the Company may elect to convert all or any portion of the unpaid principal balance on any 1999 Subordinated Note into the number of shares of common stock of the Company, $0.01 par value per share ("Common Stock") computed by multiplying the unpaid principal balance to be converted times $1.00 per share and dividing the result by the 1999 Subordinated Note Conversion Price determined pursuant to Section 6.b. The Company shall pay to the holder of each 1999 Subordinated Note so converted, all accrued and unpaid interest in cash or, at the Company's option, in Common Stock valued at Fair Market Value, at the time of conversion with respect to such 1999 Subordinated Note so converted with no further interest accruing or payable on the converted portion of the 1999 Subordinated Note.

(2) Each conversion of all or any portion of a 1999 Subordinated Note will be deemed to have been effected as of the close of business on the date on which the Company gives written notice to a holder of such 1999 Subordinated Note that the Company shall convert all or part of such 1999 Subordinated Note. At such time as such conversion has been effected, the rights of the holder of such 1999 Subordinated Note as provided hereunder with respect to the portion of the 1999 Subordinated Note to be converted will cease, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock are to be issued upon such conversion will be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(3) As soon as possible after a conversion has been effected and in no event later than twenty (20) business days thereafter, the Company will deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Common Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the holder of the converted 1999 Subordinated Note has specified;

(b) payment of all accrued and unpaid interest on such converted portion of the 1999 Subordinated Note;

(c) the amount payable under Subsection 6.a.(6) below with respect to such conversion; and

(d) if applicable, a replacement 1999 Subordinated Note representing any portion of the 1999 Subordinated Note which was not converted.

(4) The issuance of certificates for shares of Common Stock upon conversion of a 1999 Subordinated Note will be made without charge to the holders of such 1999 Subordinated Note for any issuance tax in respect thereof or other cost incurred by the Company in connection with such conversion and the related issuance of shares of Common Stock. Upon conversion of all or any portion of a 1999 Subordinated Note, the Company will take all such actions as are necessary in order to insure that the Common Stock issued as a result of such conversion is validly issued, fully paid and nonassessable.

(5) The Company will not close its books against the transfer of Common Stock issued or issuable upon conversion of the 1999 Subordinated Notes in any manner which interferes with the timely conversion of the 1999 Subordinated Notes.

(6) If any fractional interest in a share of Common Stock would, except for the provisions of this Subsection 6.a.(6), be deliverable upon any conversion of any 1999 Subordinated Note, the Company, in lieu of delivering the fractional share therefor, shall pay an amount to the holder thereof equal to the Fair Market Value of such fractional interest as of the date of conversion.

(7) Any 1999 Subordinated Notes which are converted shall be canceled and will not be reissued or otherwise transferred.

(8) The Company will take such corporate action as may be necessary from time to time so that at all times it will have authorized, and reserved out of its authorized but unissued Common Stock for the sole purpose of issuance upon conversion the 1999 Subordinated Notes, a sufficient number of shares of Common Stock to permit the conversion in full of the sum of the aggregate unpaid principal balances and accrued but unpaid interest due on all 1999 Subordinated Notes.

(9) For purposes of this Section 6, "Fair Market Value" means the average of the last reported sales price of the Common Stock on the Nasdaq Stock Market or on any national or regional securities exchange on which the Common Stock is listed or admitted to unlisted trading privileges and on which the Common Stock is principally traded or quoted, as reported for each of the 10 consecutive trading days ending on the 10th trading date prior to any dividend payment date; or if there is no public market for the Common Stock of the Company, the Fair Market Value shall be calculated based on the price paid per share of Common Stock or the valuation of the Company in the Company's most recent equity financing transaction with a third party, or, if in the judgment of the Board of Directors of the Company, the fair market value is materially different from that reflected by such valuation, then the Fair Market Value shall be determined by the Board of Directors in good faith.

b. Adjustments to 1999 Subordinated Notes Conversion Price.

(1) In order to prevent dilution of the interests of the holders of the 1999 Subordinated Notes as a result of the conversion right granted to the Company under this subsection 6, the 1999 Subordinated Note Conversion Price will be subject to adjustment from time to time pursuant to this Section 6.b. The term "1999 Subordinated Note Conversion Price" initially means $2.00, as subsequently adjusted as provided below.

(2) If the Company issues or sells, or in accordance with Section 6.c. is deemed to have issued or sold, any shares of its Common Stock (except as set forth in Section 6.c.(9)) without consideration or for a consideration per share less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of such issuance or sale, then upon such issuance or sale the 1999 Subordinated Note Conversion Price will be reduced to the conversion price determined by dividing (a) the sum of (1) the product derived by multiplying the 1999 Subordinated Conversion Price in effect immediately prior to such issuance or sale times the number of fully-diluted shares of Common Stock outstanding immediately prior to such issuance or sale, and (2) the consideration, if any, received by the Company upon such issuance or sale, by (b) the number of shares of fully-diluted Common Stock outstanding immediately prior to such issuance or sale plus the number of shares of Common Stock issued or deemed to have been issued in such sale pursuant to this Section 6.

c. Effect on 1999 Subordinated Note Conversion Prices of Certain Events.

(1) For purposes of determining the adjusted 1999 Subordinated Note Conversion Prices under Section 6.b., the following will be applicable:

(a) Issuance of Rights or Options. If the Company grants, issues or sells Options to acquire Common Stock or Convertible Securities and the price per share for which Common Stock is issuable upon the exercise of such Options or upon conversion or exchange of any Convertible Securities issuable upon the exercise of such Options is less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of the granting, issuance or sale of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting of such Options for such price per share. For purposes of this Section, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the sum of (i) the amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus (ii) the minimum aggregate amount of additional consideration payable to the Company upon exercise of all such Options, plus (iii) in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable to the Company upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of the 1999 Subordinated Note Conversion Price shall be made when Convertible Securities are actually issued upon the exercise of such Options or when Common Stock is actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(b) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon such conversion or exchange thereof is less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section, the "price per share for which Common Stock" shall be determined by dividing (A) the sum of (i) the amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus (ii) the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of the 1999 Subordinated Note Conversion Price shall be made when Common Stock is actually issued upon the conversion or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of the 1999 Subordinated Note Conversion Price had been or are to be made pursuant to other provisions of this Section 6, no further adjustment of the 1999 Subordinated Note Conversion Price shall be made by reason of such issue or sale.

(c) Change in Option Price or Conversion Rate. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock change at any time, the 1999 Subordinated Note Conversion Price in effect at the time of such change shall be readjusted to the 1999 Subordinated Note Conversion Price which would have been in effect at such time had such Options or Convertible Securities originally provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(2) For purposes of determining the adjusted 1999 Subordinated Note Conversion Price under Subsection 6.b.(2) and (3), the following will be applicable:

(a) Calculation of Consideration Received. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the gross amount received by the Company therefor after deducting any discounts or commissions paid or incurred by the Company in connection with the issuance and sale. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the Fair Market Value thereof as of the date of receipt. If any Common Stock, Options or Convertible Securities are issued in connection with any merger in which the Company is the surviving Company, the amount of consideration therefor will be deemed to be the Fair Market Value of such portion of the net assets and business of the non-surviving Company as is attributable to such Common Stock, Options or Convertible Securities, as the case may be.

(b) Integrated Transactions. In case any Options are issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $0.01 each.

(c) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any shares so owned or held will be considered an issue or sale of Common Stock.

(d) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(3) Subdivision or Combination of Common Stock. If the Company at any time subdivides one or more classes of its outstanding shares of Common Stock into a greater number of shares, the 1999 Subordinated Note Conversion Price in effect immediately prior to such subdivision will be proportionately reduced, and if the Company at any time combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the 1999 Subordinated Note Conversion Price in effect immediately prior to such combination will be proportionately increased.

(4) Stock Dividends. In the event of any stock dividend or other distribution payable in shares of Common Stock, or other securities or property of the Company, including securities of a third party, then in each such event the 1999 Subordinated Note Conversion Price shall be adjusted by multiplying the 1999 Subordinated Note Conversion Price then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or the number of shares of Common Stock which may be purchased at fair market value using the consideration equal to the aggregate Fair Market Value of the securities or other property of the Company to be distributed; provided, however, this adjustment shall exclude any such distributions to the extent a substantially similar distribution is made to the holders of the 1999 Subordinated Notes.

(5) Distributions of Property. In the event that the Company makes a distribution of its property to the holders of Common Stock as a dividend in liquidation or partial liquidation or by way of return of capital or other than as a dividend payable out of funds legally available for dividends under the laws of the State of Delaware, the holders of 1999 Subordinated Notes Preferred Stock shall, upon conversion thereof, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any consideration therefor, a sum equal to the amount of such property as would have been payable to them as owners of that number of shares of Common Stock receivable upon such conversion, had they been the holders of record of such Common Stock on the record date for such distribution; and an appropriate provision therefor shall be made a part of any such distribution; provided, however, this adjustment shall exclude any such distributions to the extent a substantially similar distribution is made to the holders of the 1999 Subordinated Notes.

(6) Reorganization, Reclassification, Merger or Consolidation. If at any time, as a result of:

(i) a capital reorganization or reclassification (other than a subdivision, combination, dividend or distribution provided for in Subsections (3), (4) or (5) above); or

(ii) a merger or consolidation of the Company with another Company (whether or not the Company is the surviving Company), the Common Stock issuable upon the conversion of the 1999 Subordinated Notes shall be changed into or exchanged for the same or a different number of shares of any class or classes of stock of the Company or any other Company, or other securities convertible into such shares, then, as a part of such reorganization, reclassification, merger or consolidation, appropriate adjustments shall be made in the terms of the 1999 Subordinated Notes (or of any instruments or securities into which the 1999 Subordinated Notes are changed or converted or for which the 1999 Subordinated Notes are exchanged), so that:

(x) the holders of shares of the 1999 Subordinated Notes or of such substitute securities shall thereafter be entitled to receive, upon conversion of the such 1999 Subordinated Notes or of such substitute securities, the substantially equivalent kind and amount of shares of stock, other securities, money and property which such holders would have received at the time of such capital reorganization, reclassification, merger, or consolidation, if the Company had elected to convert such 1999 Subordinated Notes into Common Stock immediately prior to such capital reorganization, reclassification, merger, or consolidation, and

(y) the 1999 Subordinated Notes or such substitute securities shall thereafter be adjusted on terms as nearly equivalent as may be practicable to the adjustments theretofore provided in this Section 6.c.

The provisions of this Subsection (6) shall similarly apply to successive capital reorganizations, reclassifications, mergers, and consolidations.

(7) Certain Events. If any event occurs of the type contemplated by the provisions of Section 6.c. but not expressly provided for by such provisions, then the Board of Directors will make an appropriate adjustment in the 1999 Subordinated Note Conversion Price so as to protect the rights of the holders of the 1999 Subordinated Notes; provided, however, that, no such adjustment will increase the 1999 Subordinated Note Conversion Price as otherwise determined pursuant to Section 6.c. or decrease the number of shares of Common Stock issuable upon conversion of the 1999 Subordinated Notes.

(8) Notwithstanding the foregoing, no adjustment to the 1999 Subordinated Note Conversion Price shall be made for:

(a) issuances of Common Stock occurring prior to the date of this replacement Note;

(b) the issuance of warrants to officers, directors, shareholders or other investors in the Company, provided such issuance is approved by the Board of Directors;

(c) the issuance of shares of Common Stock into which the 1999 Subordinated Notes are convertible;

(d) the issuance of shares of Common Stock upon exercise of all options and warrants outstanding as of the date of this replacement Note;

(e) the issuance of options to acquire shares of Common Stock under the Company's incentive stock option or similar plans(or the issuance of such Common Stock upon the exercise thereof), provided each such plan has been approved by the Board of Directors;

(f) the issuance of shares of Common Stock under the Company's stock purchase or similar plans, provided each such plan has been approved by the Board of Directors;

(g) the issuance of Common Stock or Options, warrants or rights to acquire Common Stock or the issuance of Common Stock upon the exercise thereof, in connection with (i) strategic transactions including acquisitions, joint ventures and similar arrangements, (ii) to vendors or suppliers or other business associates, (iii), in connection with debt financings or (iv) as compensation to service providers including without limitation, as brokers, finders and financial consultants, in connection with capital raising transactions.

d. Notices. As soon as practicable (and in any case not later than fifteen (15) days) upon any adjustment of the 1999 Subordinated Note Conversion Price, the Company will give written notice thereof to all holders of 1999 Subordinate Notes.

e. Definitions.

"Convertible Securities" means securities convertible into or exchangeable for Common Stock.

"Options" means any grant, issue or sale by the Corporation of any right or option to subscribe for or to purchase Common Stock or any Convertible Securities.

7. Warrant Coverage. Holder has received, on December 7, 1999, ten-year warrants (the "Warrants) to purchase 800,000 shares of common stock of the Company ("Common Stock"). The exercise price of the Warrants is $2.25 per share of Common Stock of the Company. The Warrants are evidenced by Warrant Certificates, issued in accordance with the terms of a Warrant Agreement.

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 of even date herewith ("Superior Debt") among the Company as guarantor, the borrowers CECO Group Inc., CECO Filters, Inc., Air Purator Corporation, New Bush Co., Inc., U.S. Facilities Management, Inc., The Kirk & Blum Manufacturing Company, and kbd/Technic, Inc., and the lenders PNC Bank, National Association and various other financial institutions, upon the terms and conditions contained in the Subordination Agreement between Green Diamond Oil Corp., Harvey Sandler, ICS Trustee Services, Ltd., and PNC Bank, National Association and various other financial institutions of even date herewith (the "Subordination Agreement").

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"):

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

b. 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.

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

d. 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.

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

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

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

(3) 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;

(4) 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

(5) 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.

b. 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:

a. 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.

b. 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.

c. 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.

d. 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.

e. 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.

a. 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.

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

c. 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.
505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
CANADA
Attention: Phillip DeZwirek

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.

d. 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.

e. 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.

f. 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.

g. 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.

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

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek, President

EXHIBIT 10.39

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.

THIS NOTE IS SUBJECT TO THE TERMS OF THE SUBORDINATION AGREEMENT (AS DEFINED HEREIN IN SECTION 8) IN FAVOR OF PNC BANK, NATIONAL ASSOCIATION, AS AGENT FOR CERTAIN BANKS. NOTWITHSTANDING ANY CONTRARY STATEMENT CONTAINED IN THE WITHIN INSTRUMENT, NO PAYMENT ON ACCOUNT OF ANY OBLIGATION ARISING FROM OR IN CONNECTION WITH THE WITHIN INSTRUMENT OR ANY RELATED AGREEMENT (WHETHER OF PRINCIPAL, INTEREST OR OTHERWISE) SHALL BE MADE, PAID, RECEIVED OR ACCEPTED EXCEPT IN ACCORDANCE WITH THE TERMS OF THE SUBORDINATION AGREEMENT.

CECO Environmental Corp.
REPLACEMENT
PROMISSORY NOTE

$500,000 March 12, 2001

WHEREAS, Harvey Sandler ("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 a Promissory Note dated December 7, 1999, (the "Original Note"), which Original Note shall be cancelled and replaced by this Replacement Promissory Note.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a New York corporation, hereby promises to pay to the order of Sandler or registered assigns ("Holder"), the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000) 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 principal amount of $5,000,000 issued in connection with a 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) six and one-half (6 1/2) years from the December 7, 1999; (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 hereof. Accrued Interest shall be due and payable on June 30 and December 31 of each year commencing June 30, 2000 and on the Maturity Date. Notwithstanding the foregoing, interest due under this Note on June 30, 2000 and December 31, 2000, will be paid in accordance with the terms of the Subordination Agreement. 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. Conversion.

a. Conversion Procedure.

(1) At any time and from time to time, the Company may elect to convert all or any portion of the unpaid principal balance on any 1999 Subordinated Note into the number of shares of common stock of the Company, $0.01 par value per share ("Common Stock") computed by multiplying the unpaid principal balance to be converted times $1.00 per share and dividing the result by the 1999 Subordinated Note Conversion Price determined pursuant to Section 6.b. The Company shall pay to the holder of each 1999 Subordinated Note so converted, all accrued and unpaid interest in cash or, at the Company's option, in Common Stock valued at Fair Market Value, at the time of conversion with respect to such 1999 Subordinated Note so converted with no further interest accruing or payable on the converted portion of the 1999 Subordinated Note.

(2) Each conversion of all or any portion of a 1999 Subordinated Note will be deemed to have been effected as of the close of business on the date on which the Company gives written notice to a holder of such 1999 Subordinated Note that the Company shall convert all or part of such 1999 Subordinated Note. At such time as such conversion has been effected, the rights of the holder of such 1999 Subordinated Note as provided hereunder with respect to the portion of the 1999 Subordinated Note to be converted will cease, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock are to be issued upon such conversion will be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(3) As soon as possible after a conversion has been effected and in no event later than twenty (20) business days thereafter, the Company will deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Common Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the holder of the converted 1999 Subordinated Note has specified;

(b) payment of all accrued and unpaid interest on such converted portion of the 1999 Subordinated Note;

(c) the amount payable under Subsection 6.a.(6) below with respect to such conversion; and

(d) if applicable, a replacement 1999 Subordinated Note representing any portion of the 1999 Subordinated Note which was not converted.

(4) The issuance of certificates for shares of Common Stock upon conversion of a 1999 Subordinated Note will be made without charge to the holders of such 1999 Subordinated Note for any issuance tax in respect thereof or other cost incurred by the Company in connection with such conversion and the related issuance of shares of Common Stock. Upon conversion of all or any portion of a 1999 Subordinated Note, the Company will take all such actions as are necessary in order to insure that the Common Stock issued as a result of such conversion is validly issued, fully paid and nonassessable.

(5) The Company will not close its books against the transfer of Common Stock issued or issuable upon conversion of the 1999 Subordinated Notes in any manner which interferes with the timely conversion of the 1999 Subordinated Notes.

(6) If any fractional interest in a share of Common Stock would, except for the provisions of this Subsection 6.a.(6), be deliverable upon any conversion of any 1999 Subordinated Note, the Company, in lieu of delivering the fractional share therefor, shall pay an amount to the holder thereof equal to the Fair Market Value of such fractional interest as of the date of conversion.

(7) Any 1999 Subordinated Notes which are converted shall be canceled and will not be reissued or otherwise transferred.

(8) The Company will take such corporate action as may be necessary from time to time so that at all times it will have authorized, and reserved out of its authorized but unissued Common Stock for the sole purpose of issuance upon conversion the 1999 Subordinated Notes, a sufficient number of shares of Common Stock to permit the conversion in full of the sum of the aggregate unpaid principal balances and accrued but unpaid interest due on all 1999 Subordinated Notes.

(9) For purposes of this Section 6, "Fair Market Value" means the average of the last reported sales price of the Common Stock on the Nasdaq Stock Market or on any national or regional securities exchange on which the Common Stock is listed or admitted to unlisted trading privileges and on which the Common Stock is principally traded or quoted, as reported for each of the 10 consecutive trading days ending on the 10th trading date prior to any dividend payment date; or if there is no public market for the Common Stock of the Company, the Fair Market Value shall be calculated based on the price paid per share of Common Stock or the valuation of the Company in the Company's most recent equity financing transaction with a third party, or, if in the judgment of the Board of Directors of the

Company, the fair market value is materially different from that reflected by such valuation, then the Fair Market Value shall be determined by the Board of Directors in good faith.

b. Adjustments to 1999 Subordinated Notes Conversion Price.

(1) In order to prevent dilution of the interests of the holders of the 1999 Subordinated Notes as a result of the conversion right granted to the Company under this subsection 6, the 1999 Subordinated Note Conversion Price will be subject to adjustment from time to time pursuant to this Section 6.b. The term "1999 Subordinated Note Conversion Price" initially means $2.00, as subsequently adjusted as provided below.

(2) If the Company issues or sells, or in accordance with Section 6.c. is deemed to have issued or sold, any shares of its Common Stock (except as set forth in Section 6.c.(9)) without consideration or for a consideration per share less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of such issuance or sale, then upon such issuance or sale the 1999 Subordinated Note Conversion Price will be reduced to the conversion price determined by dividing (a) the sum of (1) the product derived by multiplying the 1999 Subordinated Conversion Price in effect immediately prior to such issuance or sale times the number of fully-diluted shares of Common Stock outstanding immediately prior to such issuance or sale, and (2) the consideration, if any, received by the Company upon such issuance or sale, by (b) the number of shares of fully-diluted Common Stock outstanding immediately prior to such issuance or sale plus the number of shares of Common Stock issued or deemed to have been issued in such sale pursuant to this Section 6.

c. Effect on 1999 Subordinated Note Conversion Prices of Certain Events.

(1) For purposes of determining the adjusted 1999 Subordinated Note Conversion Prices under Section 6.b., the following will be applicable:

(a) Issuance of Rights or Options. If the Company grants, issues or sells Options to acquire Common Stock or Convertible Securities and the price per share for which Common Stock is issuable upon the exercise of such Options or upon conversion or exchange of any Convertible Securities issuable upon the exercise of such Options is less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of the granting, issuance or sale of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting of such Options for such price per share. For purposes of this Section, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the sum of (i) the amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus (ii) the minimum aggregate amount of additional consideration payable to the Company upon exercise of all such Options, plus (iii) in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any,

payable to the Company upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of the 1999 Subordinated Note Conversion Price shall be made when Convertible Securities are actually issued upon the exercise of such Options or when Common Stock is actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(b) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon such conversion or exchange thereof is less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section, the "price per share for which Common Stock" shall be determined by dividing (A) the sum of (i) the amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus (ii) the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of the 1999 Subordinated Note Conversion Price shall be made when Common Stock is actually issued upon the conversion or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of the 1999 Subordinated Note Conversion Price had been or are to be made pursuant to other provisions of this Section 6, no further adjustment of the 1999 Subordinated Note Conversion Price shall be made by reason of such issue or sale.

(c) Change in Option Price or Conversion Rate. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock change at any time, the 1999 Subordinated Note Conversion Price in effect at the time of such change shall be readjusted to the 1999 Subordinated Note Conversion Price which would have been in effect at such time had such Options or Convertible Securities originally provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(2) For purposes of determining the adjusted 1999 Subordinated Note Conversion Price under Subsection 6.b.(2) and (3), the following will be applicable:

(a) Calculation of Consideration Received. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the gross amount received by the Company therefor after deducting any discounts or commissions paid or incurred by the Company in connection with the issuance and sale. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the Fair Market Value thereof as of the date of receipt. If any Common Stock, Options or Convertible Securities are issued in connection with any merger in which the Company is the surviving Company, the amount of consideration therefor will be deemed to be the Fair Market Value of such portion of the net assets and business of the non-surviving Company as is attributable to such Common Stock, Options or Convertible Securities, as the case may be.

(b) Integrated Transactions. In case any Options are issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $0.01 each.

(c) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any shares so owned or held will be considered an issue or sale of Common Stock.

(d) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(3) Subdivision or Combination of Common Stock. If the Company at any time subdivides one or more classes of its outstanding shares of Common Stock into a greater number of shares, the 1999 Subordinated Note Conversion Price in effect immediately prior to such subdivision will be proportionately reduced, and if the Company at any time combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the 1999 Subordinated Note Conversion Price in effect immediately prior to such combination will be proportionately increased.

(4) Stock Dividends. In the event of any stock dividend or other distribution payable in shares of Common Stock, or other securities or property of the Company, including securities of a third party, then in each such event the 1999 Subordinated Note Conversion Price

shall be adjusted by multiplying the 1999 Subordinated Note Conversion Price then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or the number of shares of Common Stock which may be purchased at fair market value using the consideration equal to the aggregate Fair Market Value of the securities or other property of the Company to be distributed; provided, however, this adjustment shall exclude any such distributions to the extent a substantially similar distribution is made to the holders of the 1999 Subordinated Notes.

(5) Distributions of Property. In the event that the Company makes a distribution of its property to the holders of Common Stock as a dividend in liquidation or partial liquidation or by way of return of capital or other than as a dividend payable out of funds legally available for dividends under the laws of the State of Delaware, the holders of 1999 Subordinated Notes Preferred Stock shall, upon conversion thereof, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any consideration therefor, a sum equal to the amount of such property as would have been payable to them as owners of that number of shares of Common Stock receivable upon such conversion, had they been the holders of record of such Common Stock on the record date for such distribution; and an appropriate provision therefor shall be made a part of any such distribution; provided, however, this adjustment shall exclude any such distributions to the extent a substantially similar distribution is made to the holders of the 1999 Subordinated Notes.

(6) Reorganization, Reclassification, Merger or Consolidation. If at any time, as a result of:

(i) a capital reorganization or reclassification (other than a subdivision, combination, dividend or distribution provided for in Subsections (3), (4) or (5) above); or

(ii) a merger or consolidation of the Company with another Company (whether or not the Company is the surviving Company), the Common Stock issuable upon the conversion of the 1999 Subordinated Notes shall be changed into or exchanged for the same or a different number of shares of any class or classes of stock of the Company or any other Company, or other securities convertible into such shares, then, as a part of such reorganization, reclassification, merger or consolidation, appropriate adjustments shall be made in the terms of the 1999 Subordinated Notes (or of any instruments or securities into which the 1999 Subordinated Notes are changed or converted or for which the 1999 Subordinated Notes are exchanged), so that:

(x) the holders of shares of the 1999 Subordinated Notes or of such substitute securities shall thereafter be entitled to receive, upon conversion of the such 1999 Subordinated Notes or of such

substitute securities, the substantially equivalent kind and amount of shares of stock, other securities, money and property which such holders would have received at the time of such capital reorganization, reclassification, merger, or consolidation, if the Company had elected to convert such 1999 Subordinated Notes into Common Stock immediately prior to such capital reorganization, reclassification, merger, or consolidation, and

(y) the 1999 Subordinated Notes or such substitute securities shall thereafter be adjusted on terms as nearly equivalent as may be practicable to the adjustments theretofore provided in this Section 6.c.

The provisions of this Subsection (6) shall similarly apply to successive capital reorganizations, reclassifications, mergers, and consolidations.

(7) Certain Events. If any event occurs of the type contemplated by the provisions of Section 6.c. but not expressly provided for by such provisions, then the Board of Directors will make an appropriate adjustment in the 1999 Subordinated Note Conversion Price so as to protect the rights of the holders of the 1999 Subordinated Notes; provided, however, that, no such adjustment will increase the 1999 Subordinated Note Conversion Price as otherwise determined pursuant to Section 6.c. or decrease the number of shares of Common Stock issuable upon conversion of the 1999 Subordinated Notes.

(8) Notwithstanding the foregoing, no adjustment to the 1999 Subordinated Note Conversion Price shall be made for:

(a) issuances of Common Stock occurring prior to the date of this replacement Note;

(b) the issuance of warrants to officers, directors, shareholders or other investors in the Company, provided such issuance is approved by the Board of Directors;

(c) the issuance of shares of Common Stock into which the 1999 Subordinated Notes are convertible;

(d) the issuance of shares of Common Stock upon exercise of all options and warrants outstanding as of the date of this replacement Note;

(e) the issuance of options to acquire shares of Common Stock under the Company's incentive stock option or similar plans(or the issuance of such Common Stock upon the exercise thereof), provided each such plan has been approved by the Board of Directors;

(f) the issuance of shares of Common Stock under the Company's stock purchase or similar plans, provided each such plan has been approved by the Board of Directors;

(g) the issuance of Common Stock or Options, warrants or rights to acquire Common Stock or the issuance of Common Stock upon the exercise thereof, in connection with (i) strategic transactions including acquisitions, joint ventures and similar arrangements, (ii) to vendors or suppliers or other business associates, (iii), in connection with debt financings or (iv) as compensation to service providers including without limitation, as brokers, finders and financial consultants, in connection with capital raising transactions.

d. Notices. As soon as practicable (and in any case not later than fifteen (15) days) upon any adjustment of the 1999 Subordinated Note Conversion Price, the Company will give written notice thereof to all holders of 1999 Subordinate Notes.

e. Definitions.

"Convertible Securities" means securities convertible into or exchangeable for Common Stock.

"Options" means any grant, issue or sale by the Corporation of any right or option to subscribe for or to purchase Common Stock or any Convertible Securities.

7. Warrant Coverage. Holder has received, on December 7, 1999, ten-year warrants (the "Warrants) to purchase 800,000 shares of common stock of the Company ("Common Stock"). The exercise price of the Warrants is $2.25 per share of Common Stock of the Company. The Warrants are evidenced by Warrant Certificates, issued in accordance with the terms of a Warrant Agreement.

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 of even date herewith ("Superior Debt") among the Company as guarantor, the borrowers CECO Group Inc., CECO Filters, Inc., Air Purator Corporation, New Bush Co., Inc., U.S. Facilities Management, Inc., The Kirk & Blum Manufacturing Company, and kbd/Technic, Inc., and the lenders PNC Bank, National Association and various other financial institutions, upon the terms and conditions contained in the Subordination Agreement between Green Diamond Oil Corp., Harvey Sandler, ICS Trustee Services, Ltd., and PNC Bank, National Association and various other financial institutions of even date herewith (the "Subordination Agreement").

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"):

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

b. 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.

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

d. 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.

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

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

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

(3) 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;

(4) 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

(5) 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.

b. 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:

a. 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.

b. 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.

c. 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.

d. 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.

e. 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.

a. 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.

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

c. 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.
505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
CANADA
Attention: Phillip DeZwirek

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.

d. 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.

e. 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.

f. 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.

g. 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.

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

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek, President

EXHIBIT 10.40

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.

THIS NOTE IS SUBJECT TO THE TERMS OF THE SUBORDINATION AGREEMENT (AS DEFINED HEREIN IN SECTION 8) IN FAVOR OF PNC BANK, NATIONAL ASSOCIATION, AS AGENT FOR CERTAIN BANKS. NOTWITHSTANDING ANY CONTRARY STATEMENT CONTAINED IN THE WITHIN INSTRUMENT, NO PAYMENT ON ACCOUNT OF ANY OBLIGATION ARISING FROM OR IN CONNECTION WITH THE WITHIN INSTRUMENT OR ANY RELATED AGREEMENT (WHETHER OF PRINCIPAL, INTEREST OR OTHERWISE) SHALL BE MADE, PAID, RECEIVED OR ACCEPTED EXCEPT IN ACCORDANCE WITH THE TERMS OF THE SUBORDINATION AGREEMENT.

CECO Environmental Corp.
REPLACEMENT
PROMISSORY NOTE

$500,000 March 12, 2001

WHEREAS, ICS Trustee Services, Ltd. ("ICS") 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 Promissory Note dated December 7, 1999, (the "Original Note"), which Original Note shall be cancelled and replaced by this Replacement Promissory Note.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a New York corporation, hereby promises to pay to the order of ICS or registered assigns ("Holder"), the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000) 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 principal amount of $5,000,000 issued in connection with a 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) six and one-half (6 1/2) years from the December 7, 1999; (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 hereof. Accrued Interest shall be due and payable on June 30 and December 31 of each year commencing June 30, 2000 and on the Maturity Date. Notwithstanding the foregoing, interest due under this Note on June 30, 2000 and December 31, 2000, will be paid in accordance with the terms of the Subordination Agreement. 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. Conversion.

a. Conversion Procedure.

(1) At any time and from time to time, the Company may elect to convert all or any portion of the unpaid principal balance on any 1999 Subordinated Note into the number of shares of common stock of the Company, $0.01 par value per share ("Common Stock") computed by multiplying the unpaid principal balance to be converted times $1.00 per share and dividing the result by the 1999 Subordinated Note Conversion Price determined pursuant to Section 6.b. The Company shall pay to the holder of each 1999 Subordinated Note so converted, all accrued and unpaid interest in cash or, at the Company's option, in Common Stock valued at Fair Market Value, at the time of conversion with respect to such 1999 Subordinated Note so converted with no further interest accruing or payable on the converted portion of the 1999 Subordinated Note.

(2) Each conversion of all or any portion of a 1999 Subordinated Note will be deemed to have been effected as of the close of business on the date on which the Company gives written notice to a holder of such 1999 Subordinated Note that the Company shall convert all or part of such 1999 Subordinated Note. At such time as such conversion has been effected, the rights of the holder of such 1999 Subordinated Note as provided hereunder with respect to the portion of the 1999 Subordinated Note to be converted will cease, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock are to be issued upon such conversion will be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(3) As soon as possible after a conversion has been effected and in no event later than twenty (20) business days thereafter, the Company will deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Common Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the holder of the converted 1999 Subordinated Note has specified;

(b) payment of all accrued and unpaid interest on such converted portion of the 1999 Subordinated Note;

(c) the amount payable under Subsection 6.a.(6) below with respect to such conversion; and

(d) if applicable, a replacement 1999 Subordinated Note representing any portion of the 1999 Subordinated Note which was not converted.

(4) The issuance of certificates for shares of Common Stock upon conversion of a 1999 Subordinated Note will be made without charge to the holders of such 1999 Subordinated Note for any issuance tax in respect thereof or other cost incurred by the Company in connection with such conversion and the related issuance of shares of Common Stock. Upon conversion of all or any portion of a 1999 Subordinated Note, the Company will take all such actions as are necessary in order to insure that the Common Stock issued as a result of such conversion is validly issued, fully paid and nonassessable.

(5) The Company will not close its books against the transfer of Common Stock issued or issuable upon conversion of the 1999 Subordinated Notes in any manner which interferes with the timely conversion of the 1999 Subordinated Notes.

(6) If any fractional interest in a share of Common Stock would, except for the provisions of this Subsection 6.a.(6), be deliverable upon any conversion of any 1999 Subordinated Note, the Company, in lieu of delivering the fractional share therefor, shall pay an amount to the holder thereof equal to the Fair Market Value of such fractional interest as of the date of conversion.

(7) Any 1999 Subordinated Notes which are converted shall be canceled and will not be reissued or otherwise transferred.

(8) The Company will take such corporate action as may be necessary from time to time so that at all times it will have authorized, and reserved out of its authorized but unissued Common Stock for the sole purpose of issuance upon conversion the 1999 Subordinated Notes, a sufficient number of shares of Common Stock to permit the conversion in full of the sum of the aggregate unpaid principal balances and accrued but unpaid interest due on all 1999 Subordinated Notes.

(9) For purposes of this Section 6, "Fair Market Value" means the average of the last reported sales price of the Common Stock on the Nasdaq Stock Market or on any national or regional securities exchange on which the Common Stock is listed or admitted to unlisted trading privileges and on which the Common Stock is principally traded or quoted, as reported for each of the 10 consecutive trading days ending on the 10th trading date prior to any dividend payment date; or if there is no public market for the Common Stock of the Company, the Fair Market Value shall be calculated based on the price paid per share of Common Stock or the valuation of the Company in the Company's most recent equity financing transaction with a third party, or, if in the judgment of the Board of Directors of the Company, the fair market value is materially different from that reflected by such valuation, then the Fair Market Value shall be determined by the Board of Directors in good faith.

b. Adjustments to 1999 Subordinated Notes Conversion Price.

(1) In order to prevent dilution of the interests of the holders of the 1999 Subordinated Notes as a result of the conversion right granted to the Company under this subsection 6, the 1999 Subordinated Note Conversion Price will be subject to adjustment from time to time pursuant to this Section 6.b. The term "1999 Subordinated Note Conversion Price" initially means $2.00, as subsequently adjusted as provided below.

(2) If the Company issues or sells, or in accordance with Section 6.c. is deemed to have issued or sold, any shares of its Common Stock (except as set forth in Section 6.c.(9)) without consideration or for a consideration per share less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of such issuance or sale, then upon such issuance or sale the 1999 Subordinated Note Conversion Price will be reduced to the conversion price determined by dividing (a) the sum of (1) the product derived by multiplying the 1999 Subordinated Conversion Price in effect immediately prior to such issuance or sale times the number of fully-diluted shares of Common Stock outstanding immediately prior to such issuance or sale, and (2) the consideration, if any, received by the Company upon such issuance or sale, by (b) the number of shares of fully-diluted Common Stock outstanding immediately prior to such issuance or sale plus the number of shares of Common Stock issued or deemed to have been issued in such sale pursuant to this Section 6.

c. Effect on 1999 Subordinated Note Conversion Prices of Certain Events.

(1) For purposes of determining the adjusted 1999 Subordinated Note Conversion Prices under Section 6.b., the following will be applicable:

(a) Issuance of Rights or Options. If the Company grants, issues or sells Options to acquire Common Stock or Convertible Securities and the price per share for which Common Stock is issuable upon the exercise of such Options or upon conversion or exchange of any Convertible Securities issuable upon the exercise of such Options is less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of the granting, issuance or sale of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the granting of such Options for such price per share. For purposes of this Section, the "price per share for which Common Stock is issuable" shall be determined by dividing (A) the sum of (i) the amount, if any, received or receivable by the Company as consideration for the granting of such Options, plus (ii) the minimum aggregate amount of additional consideration payable to the Company upon exercise of all such Options, plus (iii) in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable to the Company upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of the 1999 Subordinated Note Conversion Price shall be made when Convertible Securities are actually issued upon the exercise of such Options or when Common Stock is actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(b) Issuance of Convertible Securities. If the Company in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon such conversion or exchange thereof is less than the 1999 Subordinated Note Conversion Price in effect immediately prior to the time of such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities shall be deemed to be outstanding and to have been issued and sold by the Company at the time of the issuance or sale of such Convertible Securities for such price per share. For the purposes of this Section, the "price per share for which Common Stock" shall be determined by dividing (A) the sum of (i) the amount received or receivable by the Company as consideration for the issue or sale of such Convertible Securities, plus (ii) the minimum aggregate amount of additional consideration, if any, payable to the Company upon the conversion or exchange thereof, by (B) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of the 1999 Subordinated Note Conversion Price shall be made when Common Stock is actually issued upon the conversion or exchange of such Convertible Securities, and if any such issue or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of the 1999 Subordinated Note Conversion Price had been or are to be made pursuant to other provisions of this Section 6, no further adjustment of the 1999 Subordinated Note Conversion Price shall be made by reason of such issue or sale.

(c) Change in Option Price or Conversion Rate. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the issue, conversion or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock change at any time, the 1999 Subordinated Note Conversion Price in effect at the time of such change shall be readjusted to the 1999 Subordinated Note Conversion Price which would have been in effect at such time had such Options or Convertible Securities originally provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold.

(2) For purposes of determining the adjusted 1999 Subordinated Note Conversion Price under Subsection 6.b.(2) and (3), the following will be applicable:

(a) Calculation of Consideration Received. If any Common Stock, Options or Convertible Securities are issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the gross amount received by the Company therefor after deducting any discounts or commissions paid or incurred by the Company in connection with the issuance and sale. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Company will be the Fair Market Value thereof as of the date of receipt. If any Common Stock, Options or Convertible Securities are issued in connection with any merger in which the Company is the surviving Company, the amount of consideration therefor will be deemed to be the Fair Market Value of such portion of the net assets and business of the non-surviving Company as is attributable to such Common Stock, Options or Convertible Securities, as the case may be.

(b) Integrated Transactions. In case any Options are issued in connection with the issue or sale of other securities of the Company, together comprising one integrated transaction in which no specific consideration is allocated to such Options by the parties thereto, the Options will be deemed to have been issued for a consideration of $0.01 each.

(c) Treasury Shares. The number of shares of Common Stock outstanding at any given time shall not include shares owned or held by or for the account of the Company, and the disposition of any shares so owned or held will be considered an issue or sale of Common Stock.

(d) Record Date. If the Company takes a record of the holders of Common Stock for the purpose of entitling them (i) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (ii) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

(3) Subdivision or Combination of Common Stock. If the Company at any time subdivides one or more classes of its outstanding shares of Common Stock into a greater number of shares, the 1999 Subordinated Note Conversion Price in effect immediately prior to such subdivision will be proportionately reduced, and if the Company at any time combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the 1999 Subordinated Note Conversion Price in effect immediately prior to such combination will be proportionately increased.

(4) Stock Dividends. In the event of any stock dividend or other distribution payable in shares of Common Stock, or other securities or property of the Company, including securities of a third party, then in each such event the 1999 Subordinated Note Conversion Price shall be adjusted by multiplying the 1999 Subordinated Note Conversion Price then in effect by a fraction (i) the numerator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance, and (ii) the denominator of which is the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance plus the number of shares of Common Stock issuable in payment of such dividend or the number of shares of Common Stock which may be purchased at fair market value using the consideration equal to the aggregate Fair Market Value of the securities or other property of the Company to be distributed; provided, however, this adjustment shall exclude any such distributions to the extent a substantially similar distribution is made to the holders of the 1999 Subordinated Notes.

(5) Distributions of Property. In the event that the Company makes a distribution of its property to the holders of Common Stock as a dividend in liquidation or partial liquidation or by way of return of capital or other than as a dividend payable out of funds legally available for dividends under the laws of the State of Delaware, the holders of 1999 Subordinated Notes Preferred Stock shall, upon conversion thereof, be entitled to receive, in addition to the number of shares of Common Stock receivable thereupon, and without payment of any consideration therefor, a sum equal to the amount of such property as would have been payable to them as owners of that number of shares of Common Stock receivable upon such conversion, had they been the holders of record of such Common Stock on the record date for such distribution; and an appropriate provision therefor shall be made a part of any such distribution; provided, however, this adjustment shall exclude any such distributions to the extent a substantially similar distribution is made to the holders of the 1999 Subordinated Notes.

(6) Reorganization, Reclassification, Merger or Consolidation. If at any time, as a result of:

(i) a capital reorganization or reclassification (other than a subdivision, combination, dividend or distribution provided for in Subsections (3), (4) or (5) above); or

(ii) a merger or consolidation of the Company with another Company (whether or not the Company is the surviving Company), the Common Stock issuable upon the conversion of the 1999 Subordinated Notes shall be changed into or exchanged for the same or a different number of shares of any class or classes of stock of the Company or any other Company, or other securities convertible into such shares, then, as a part of such reorganization, reclassification, merger or consolidation, appropriate adjustments shall be made in the terms of the 1999 Subordinated Notes (or of any instruments or securities into which the 1999 Subordinated Notes are changed or converted or for which the 1999 Subordinated Notes are exchanged), so that:

(x) the holders of shares of the 1999 Subordinated Notes or of such substitute securities shall thereafter be entitled to receive, upon conversion of the such 1999 Subordinated Notes or of such substitute securities, the substantially equivalent kind and amount of shares of stock, other securities, money and property which such holders would have received at the time of such capital reorganization, reclassification, merger, or consolidation, if the Company had elected to convert such 1999 Subordinated Notes into Common Stock immediately prior to such capital reorganization, reclassification, merger, or consolidation, and

(y) the 1999 Subordinated Notes or such substitute securities shall thereafter be adjusted on terms as nearly equivalent as may be practicable to the adjustments theretofore provided in this Section 6.c.

The provisions of this Subsection (6) shall similarly apply to successive capital reorganizations, reclassifications, mergers, and consolidations.

(7) Certain Events. If any event occurs of the type contemplated by the provisions of Section 6.c. but not expressly provided for by such provisions, then the Board of Directors will make an appropriate adjustment in the 1999 Subordinated Note Conversion Price so as to protect the rights of the holders of the 1999 Subordinated Notes; provided, however, that, no such adjustment will increase the 1999 Subordinated Note Conversion Price as otherwise determined pursuant to Section 6.c. or decrease the number of shares of Common Stock issuable upon conversion of the 1999 Subordinated Notes.

(8) Notwithstanding the foregoing, no adjustment to the 1999 Subordinated Note Conversion Price shall be made for:

(a) issuances of Common Stock occurring prior to the date of this replacement Note;

(b) the issuance of warrants to officers, directors, shareholders or other investors in the Company, provided such issuance is approved by the Board of Directors;

(c) the issuance of shares of Common Stock into which the 1999 Subordinated Notes are convertible;

(d) the issuance of shares of Common Stock upon exercise of all options and warrants outstanding as of the date of this replacement Note;

(e) the issuance of options to acquire shares of Common Stock under the Company's incentive stock option or similar plans(or the issuance of such Common Stock upon the exercise thereof), provided each such plan has been approved by the Board of Directors;

(f) the issuance of shares of Common Stock under the Company's stock purchase or similar plans, provided each such plan has been approved by the Board of Directors;

(g) the issuance of Common Stock or Options, warrants or rights to acquire Common Stock or the issuance of Common Stock upon the exercise thereof, in connection with (i) strategic transactions including acquisitions, joint ventures and similar arrangements, (ii) to vendors or suppliers or other business associates, (iii), in connection with debt financings or (iv) as compensation to service providers including without limitation, as brokers, finders and financial consultants, in connection with capital raising transactions.

d. Notices. As soon as practicable (and in any case not later than fifteen (15) days) upon any adjustment of the 1999 Subordinated Note Conversion Price, the Company will give written notice thereof to all holders of 1999 Subordinate Notes.

e. Definitions.

"Convertible Securities" means securities convertible into or exchangeable for Common Stock.

"Options" means any grant, issue or sale by the Corporation of any right or option to subscribe for or to purchase Common Stock or any Convertible Securities.

7. Warrant Coverage. Holder has received, on December 7, 1999, ten-year warrants (the "Warrants) to purchase 800,000 shares of common stock of the Company ("Common Stock"). The exercise price of the Warrants is $2.25 per share of Common Stock of the Company. The Warrants are evidenced by Warrant Certificates, issued in accordance with the terms of a Warrant Agreement.

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 of even date herewith ("Superior Debt") among the Company as guarantor, the borrowers CECO Group Inc., CECO Filters, Inc., Air Purator Corporation, New Bush Co., Inc., U.S. Facilities Management, Inc., The Kirk & Blum Manufacturing Company, and kbd/Technic, Inc., and the lenders PNC Bank, National Association and various other financial institutions, upon the terms and conditions contained in the Subordination Agreement between Green Diamond Oil Corp., Harvey Sandler, ICS Trustee Services, Ltd., and PNC Bank, National Association and various other financial institutions of even date herewith (the "Subordination Agreement").

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"):

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

b. 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.

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

d. 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.

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

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

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

(3) 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;

(4) 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

(5) 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.

b. 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:

a. 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.

b. 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.

c. 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.

d. 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.

e. 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.

a. 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.

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

c. 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.
505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
CANADA
Attention: Phillip DeZwirek

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.

d. 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.

e. 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.

f. 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.

g. 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.

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

i. 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.

j. 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.

k. 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.

l. 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.

m. 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.

n. 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.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek, President

Exhibit 10.41

THIRD AMENDMENT TO CREDIT AGREEMENT

This THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 30th day of March, 2001, and effective as of December 31, 2000, with respect to Sections 2(b), (c), (d), (m), (n) and (o) hereof, by and among CECO GROUP, INC., CECO FILTERS, INC., AIR PURATOR CORPORATION, NEW BUSCH CO., INC., THE KIRK & BLUM MANUFACTURING COMPANY and KBD/TECHNIC, INC. (the "Borrowers"), and PNC BANK, NATIONAL ASSOCIATION ("PNC"), individually and as agent for itself and the other banks (collectively, the "Banks") which from time to time are parties to the hereinafter defined Credit Agreement (in such capacity, the "Agent").

BACKGROUND

A. The Agent, the Banks and the Borrowers are parties to a Credit Agreement dated as of December 7, 1999 as amended by Amendment to Credit Agreement, dated as of March 28, 2000 and by Second Amendment to Credit Agreement dated as of November 10, 2000 (as amended, the "Credit Agreement").

B. The Borrowers have requested and the Agent and the Banks have agreed to amend the Credit Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing and for good and valuable consideration, the legality and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Definitions. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to them in the Credit Agreement.

2. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) Section 1.1 of the Credit Agreement is hereby amended by inserting the following new definition:

> "Equity Contribution": shall mean the infusion and continued maintenance of capital in the Borrowers in the form of equity or subordinated debt in a minimum amount of Four Million and 00/100 Dollars ($4,000,000), in a form satisfactory to the Agent and the Banks in their sole discretion, by CECO.

(b) The definition of EBITDA as presently set forth in the Credit Agreement shall be deleted and shall be replaced by the following:

> "EBITDA": For any period, net income (or loss) of a Person for such period, plus the amount of income taxes, interest expense,

reasonable expenses arising out of the preparation, negotiation, execution and delivery of the Acquisition Documents and the Loan Documents, depreciation and amortization deducted from earnings in determining net income (or loss) of such Person excluding all investment income of such Person occurring on or after January 1, 2001, all as determined on a consolidated basis in accordance with GAAP.

(c) The definition of "Fixed Charge Coverage Ratio" as presently set forth in the Credit Agreement shall be amended to include the following at the end of the existing definition:

Provided, however, calculation of the Fixed Charge Coverage Ratio shall not include the Term Loan Prepayments.

(d) The definition of "Leverage Ratio" as presently set forth in the Credit Agreement shall be deleted and shall be replaced with the following:

"Leverage Ratio": At the date of determination, the ratio of Consolidated Debt of CECO (but (i) excluding that certain debt of CECO for funds borrowed to purchase the Peerless Stock, if the market value of the Peerless Stock then owned by CECO exceeds the amount of such debt), and (ii) further excluding the Subordinated Debt; and (iii) further excluding the cash value of life insurance loans) to (EBITDA), each determined for CECO on a consolidated basis and calculated as of the end of the fiscal quarter ending on or immediately preceding such date.

(e) The definition of "Revolving Credit Commitment" as presently set forth in the Credit Agreement shall be deleted and shall be replaced with the following:

"Revolving Credit Commitment": means $9,000,000, as reduced from time to time pursuant to Section 2.9.

(f) Annex I to the Credit Agreement shall be deleted and shall be replaced with the following:

Loans	Applicable Margin for Eurodollar Loans	Applicable Margin for Base Rate Loans
Revolving Loans	3.50%	2.00%
Term Loan A	3.50%	2.00%
Term Loan B	4.00%	2.50%

provided, however, upon the occurrence and continuation of the Equity Infusion, Annex I to the Credit Agreement shall be as follows:

Loans	Applicable Margin for Eurodollar Loans	Applicable Margin for Base Rate Loans
Revolving Loans	3.00%	1.50%
Term Loan A	3.00%	1.50%
Term Loan B	3.50%	2.00%

(g) Section 2.4(b) shall be amended to provide that the Letter of Credit Fee shall be changed from one percent (1%) to (1.5%).

(h) Section 2.1(a)(y)(ii) shall be amended to change plus to minus.

(i) Section 2.1(a)(y)(iii) shall be deleted.

(j) The requirement set forth in Section 2.5(a) of the Credit Agreement that the Borrowers pay to each Bank, through the Agent, a Commitment Fee shall be abated until the occurrence of the Equity Contribution or 1-02-02 whichever is sooner, at which time, Section 2.5(a) of the Credit Agreement shall be in full force and effect.

(k) Section 2.6(b) of the Credit Agreement shall be modified to include the following at the end of the existing Section 2.6(b):

> In addition to the payments required on the Term Loans by this Section 2.6, the Borrowers shall make the following payments to be applied to the principal balances of the Term Loans:
>
> (a) $500,000 on or before June 30, 2001;
>
> (b) $500,000 on or before September 30, 2001; and,
>
> (c) $1,000,000 on or before December 31, 2001. (The foregoing payments shall be referred to as the "Term Loan Prepayments".)

(l) In addition to the inspections and audits provided for in Section 5.6 of the Credit Agreement, the Agent and Banks may request, not more than once a year, an appraisal of the Collateral.

(m) Section 6.1(a) Leverage Ratio of the Credit Agreement shall be abated as it presently exists through January 1, 2002 and shall be modified as follows:

> (a) Leverage Ratio. Permit the Leverage Ratio, as of the end of any fiscal quarter ending during the period specified below, for the prior four consecutive fiscal quarters, to equal or exceed the amount set forth opposite such period:

Last Day of Fiscal Quarter During Period	Leverage Ratio To Be Less Than
December 31, 2000 through March 30, 2001	5.50 to 1
March 31, 2001 through June 29, 2001	6.30 to 1
June 30, 2001 through September 29, 2001	5.50 to 1
September 30, 2001 through December 30, 2001	4.60 to 1
December 31, 2001	3.10 to 1

provided, however, the abatement of Section 6.1(a) Leverage Ratio of the Credit Agreement shall cease and such section shall continue as provided in the Credit Agreement immediately before the effective date of this Amendment on January 2, 2002.

(n) Section 6.1(b) of the Credit Agreement shall be abated in its entirety as it presently exists through January 1, 2002 and shall be modified as follows:

(b) Fixed Charge Coverage Ratio. Permit the Fixed Charge Coverage Ratio, as of the end of each fiscal quarter ending during the period specified below, to be less than the amount set forth opposite such period:

Last Day of Fiscal Quarter During Period	Fixed Charge Ratio To Be Less Than
December 31, 2000 through March 30, 2001	.90 to 1
March 31, 2001 through June 29, 2001	.80 to 1
June 30, 2001 through September 29, 2001	.80 to 1
September 30, 2001 through December 30, 2001	.90 to 1
December 31, 2001	1.00 to 1

provided, however, , the abatement of Section 6.1(b) Fixed Charge Coverage Ratio of the Credit Agreement shall cease and such section shall continue as provided in the Credit Agreement immediately before the effective date of this Amendment on January 2, 2002

(o) Section 6.1(c) Interest Coverage Ratio of the Credit Agreement shall be abated in its entirety as it presently exists through January 1, 2002 and shall be modified as follows:

(b) Interest Coverage Ratio. Permit the Interest Coverage Ratio, as of the end of each fiscal quarter ending during the period specified below, to be less than the amount set forth opposite such period:

Last Day of Fiscal Quarter During Period	Interest Coverage Ratio To Be Less Than
December 31, 2000 through March 30, 2001	1.40 to 1
March 31, 2001 through June 29, 2001	1.10 to 1
June 30, 2001 through September 29, 2001	1.25 to 1
September 30, 2001 through December 30, 2001	1.60 to 1
December 31, 2001	2.20 to 1

provided, however, the abatement of Section 6.1(c) Interest Coverage Ratio of the Credit Agreement shall cease and such section shall continue as provided in the Credit Agreement immediately before the effective date of this Amendment on January 2, 2002.

3. Additional Covenants. The Credit Agreement and any other Applicable Loan Document shall be amended to include the following additional covenants and the Borrowers' failure to comply with such additional covenants shall constitute an immediate Event of Default without any required notice or cure period, notwithstanding any provision to the contrary contained in the Credit Agreement or any other Loan Document:

(a) Borrowers shall make no payments of principal or interest on any Subordinated Debt until the occurrence and continuation of the Equity Contribution.

(b) Borrowers shall make no Bonus Pool payments until the occurrence and continuation of the Equity Contribution.

(c) Any fee paid to CECO from any of the Borrowers and all investments maintained in financial institutions or otherwise located in Canada shall be deposited in an account with Bank One, NA, at its banking office located in Toronto, Ontario, or a financial institution domiciled in the United States, acceptable to the Agent and the Banks in their collective sole discretion, which accounts and all amounts deposited therein shall be pledged to the Agent for the ratable benefit of the Banks as additional Collateral under terms and conditions acceptable to the Agent and the Banks in their sole discretion.

(d) CECO shall pledge to the Agent, for the ratable benefit of the Banks, all of its right, title and interest in and to the Taurus Brokerage Account, which shall contain the Peerless Stock, as additional Collateral under terms and conditions acceptable to the Agent and the Banks in their collective sole discretion.

(e) CECO shall sell the Peerless Stock and the proceeds from such sale shall be applied to the extent necessary to make the Term Loan Prepayments as provided in Section 2(k) of this Amendment.

(f) CECO shall provide to the Agent and to each Bank a proforma financial statement, prepared on a consolidated basis, containing its forecast for compliance with the Financial Covenants of the Credit Agreement during each fiscal quarter of 2001.

(g) Borrowers shall:

(i) by April 30, 2001, complete and submit to Agent certain Collateral Due Diligence Reports previously requested by Agent;

(ii) by April 30, 2001, execute and deliver fully executed documents perfecting assignment of the accounts specified in Sections 3(c) and (e) above and deliver the fully executed Subordinated Creditor's Consent in the form attached hereto of ICS Trustee Services, Ltd. and Harvey Sandler;

(iii) within thirty days after requested by Agent deliver any additional documents reasonably requested by Agent and Bank to perfect any security interests in Collateral granted under the Credit Agreement.

4. Amendment Fee. Borrowers shall pay to the Agent, for the ratable benefit of the Banks, a fee in the amount of $25,000 upon execution of this Agreement and an Amendment Fee of $150,000, due and payable on January 2, 2002; provided however:

(a) that if the Equity Contribution is made on or before June 30, 2001, the Amendment Fee shall be deemed satisfied by the payment of $50,000 paid simultaneously with the Equity Contribution;

(b) that if the Equity Contribution is made between July 1, 2001 and September 30, 2001, the Amendment Fee shall be deemed satisfied by the payment of $100,000 paid simultaneously with the Equity Contribution;

(c) that if the Equity Contribution is made between October 1, 2001 and December 31, 2001, the Amendment Fee shall be $150,000 and shall be paid simultaneously with the Equity Contribution.

5. Cash Collateral Account. Borrowers shall establish an account at a financial institution acceptable to the Agent and the Banks, in their sole discretion, ("Cash Collateral Account") and shall deposit in such Cash Collateral Account the amount of $50,000 on the last day of each calendar quarter, commencing on June 30, 2001, up to the aggregate amount of $150,000. The Cash Collateral Account and all funds deposited therein shall be pledged to the Agent and the Banks under terms and conditions acceptable to them in their sole discretion. Upon payment by the Borrowers of the Amendment Fee, if no Event of Default has occurred and is continuing or would have occurred, but for the giving of notice or the passage of time, the Agent and the Banks shall release their interest in the Cash Collateral Account.

6. Consent to Extension of Bonus Pool Payments. The Agent and the Banks, upon the request of Richard J. Blum, Lawrence J. Blum and David Blum, shall consent to an extension of the Bonus Pool payments for a period of one (1) year.

7. Amendment to the Loan Documents. All references to the Credit Agreement in the Loan Documents and in any documents executed in connection therewith shall be deemed to refer to the Credit Agreement as amended by this Amendment.

8. Ratification of the Loan Documents. Notwithstanding anything to the contrary herein contained or any claims of the parties to the contrary, the Agent, the Banks and the Borrowers agree that the Loan Documents and each of the documents executed in connection therewith are in full force and effect and each such document shall remain in full force and effect, as further amended by this Amendment, and each of the Borrowers hereby ratifies and confirms its obligations thereunder.

9. Representations and Warranties.

(a) Each Borrower hereby certifies that (i) the representations and warranties of such Borrower in the Credit Agreement as amended herein are true and correct in all material respects as of the date hereof, as if made on the date hereof and (ii) 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 effective date hereof.

(b) Each Borrower further represents that it has all the requisite power and authority to enter into and to perform its obligations under this Amendment, and that the execution, delivery and performance of this Amendment have been duly authorized by all requisite action and will not violate or constitute a default under any provision of any applicable law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect or of the Articles of Incorporation or by-laws of such Borrower, or of any indenture, note, loan or credit agreement, license or any other agreement, lease or instrument to which such Borrower is a party or by which such Borrower or any of its properties are bound.

(c) Each Borrower also further represents that its obligation to repay the Loans, together with all interest accrued thereon, is absolute and unconditional, and there exists no right of set off or recoupment, counterclaim or defense of any nature whatsoever to payment of the Loans, and each Borrower further represents that the Agents and Banks have fully performed all of their respective obligations under the Loan Documents through the date of this Amendment.

(d) Each Borrower also further represents that there have been no changes to the Articles of Incorporation, by-laws or other organizational documents of each such Borrower since the most recent date true and correct copies thereof were delivered to the Agent.

10. Conditions Precedent. The effectiveness of the amendments set forth herein is subject to the fulfillment, to the satisfaction of the Agent and its counsel, of the following conditions precedent:

(a) The Borrowers shall have delivered to the Agent the following, all of which shall be in form and substance satisfactory to the Agent and shall be duly completed and executed:

(i) This Amendment and the consent of the Guarantor and the consent of Green Diamond Oil Corp. as attached hereto; and

(ii) Such additional documents, certificates and information as the Agent may require pursuant to the terms hereof or otherwise reasonably request.

(b) After giving effect to the amendments contained herein, the representations and warranties set forth in the Credit Agreement shall be true and correct on and as of the date hereof.

(c) After giving effect to the amendments contained herein, no Event of Default hereunder, and no event which, with the passage of time or the giving of notice, or both, would become such an Event of Default shall have occurred and be continuing as of the date hereof.

(d) The Borrowers shall have paid the reasonable fees and disbursements of the Agent's counsel incurred in connection with this Amendment.

11. No Waiver. Except as expressly provided herein, this Amendment does not and shall not be deemed to constitute a waiver by the Agent or the Banks of any Event of Default, or of any event which with the passage of time or the giving of notice or both would constitute an Event of Default, nor does it obligate the Agent or the Banks to agree to any further modifications to the Credit Agreement or any other Loan Document or constitute a waiver of any of the Agent's or the Banks' other rights or remedies.

12. Waiver and Release. The Borrowers each on behalf of themselves, their agents, employees, officers, directors, successors and assigns, do hereby waive and release Agent and Banks, their agents, employees, officers, directors, affiliates, parents, successors and assigns, from any claims arising from or related to administration of the Credit Agreement and Loan Document and any course of dealing among the parties not in compliance with those agreements from the inception of the Credit Agreement whether known or unknown through the date of execution and delivery of this Amendment.

13. Effective Date. The parties hereto agree that subsections (b), (c), (d), (m), (n) and (o) of Section 2 hereof shall for all purposes be deemed to be effective as of December 31, 2000 and for all purposes the Credit Agreement shall be deemed to have been amended as of such date to reflect the amendments to the Credit Agreement set forth in such subsections.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year first above written.

CECO GROUP, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: CFO

CECO FILTERS, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Secretary

AIR PURATOR CORPORATION

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Secretary

NEW BUSCH CO., INC.

By: /s/ Richard J. Blum

Name: Richard J. Blum
Title: Treasurer

THE KIRK & BLUM MANUFACTURING COMPANY

By: /s/ Richard J. Blum

Name: Richard J. Blum
Title: President

KBD/TECHNIC, INC.

By: /s/

Name:
Title: Treasurer

PNC BANK, NATIONAL ASSOCIATION, as
Agent and as a Bank

By: /s/ William Miles

Title: Vice President

FIFTH THIRD BANK, as a Bank

By: /s/ David Alexander

Title: Assistant Vice President

BANK ONE, NA, as a Bank

By: /s/ Jeffrey Nicholos

Title: Vice President

GUARANTOR'S CONSENT

By Corporate Guaranty, dated December 7, 2000 (the "Guaranty"), the undersigned (the "Guarantor") guaranteed to the Agent and the Banks, subject to the terms and conditions set forth therein, the prompt payment and performance of all of the Obligations (as defined therein). The Guarantor consents to the Borrowers' execution of the foregoing Third Amendment to Credit Agreement. The Guarantor hereby acknowledges and agrees that the Guaranty remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

CECO ENVIRONMENTAL CORP.

By: /s/ Marshall J. Morris

Title:

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 2000 (the "Subordination Agreement"), the Subordinated Creditor consents to the Borrowers' execution of the foregoing Third Amendment to Credit Agreement. The Subordinated Creditor agrees that Section 3(a) of the foregoing Third Amendment to Credit Agreement applies to it and that such Subordinated Creditor is bound thereby. The Subordinated Creditor hereby acknowledges and agrees that, except as provided in Section 3(a) of the foregoing Third Amendment to Credit Agreement, the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

GREEN DIAMOND OIL CORP.

By: /s/ Phillip DeZwirek

Title President

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 2000 (the "Subordination Agreement"), the Subordinated Creditor consents to the Borrowers' execution of the foregoing Third Amendment to Credit Agreement. The Subordinated Creditor agrees that Section 3(a) of the foregoing Third Amendment to Credit Agreement applies to it and that such Subordinated Creditor is bound thereby. The Subordinated Creditor hereby acknowledges and agrees that, except as provided in Section 3(a) of the foregoing Third Amendment to Credit Agreement, the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

ICS TRUSTEE SERVICES, LTD.

By:

Title

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 2000 (the "Subordination Agreement"), the Subordinated Creditor consents to the Borrowers' execution of the foregoing Third Amendment to Credit Agreement. The Subordinated Creditor agrees that Section 3(a) of the foregoing Third Amendment to Credit Agreement applies to it and that such Subordinated Creditor is bound thereby. The Subordinated Creditor hereby acknowledges and agrees that, except as provided in Section 3(a) of the foregoing Third Amendment to Credit Agreement, the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

HARVEY SANDLER

By: -------------------------------

Title

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 30, 2001 for the year ended December 31, 1999 included or incorporated by reference in this annual report on Form 10-K for CECO Environmental Corp. and subsidiaries for the year ended December 31, 2000.

/s/MARGOLIS & COMPANY P.C.

Certified Public Accountants

Bala Cynwyd, PA 19004
March 30, 2001