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

FORM 10-K

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001

or

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

Commission File No. 0-7099

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

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

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

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

Securities registered under Section (g) of the Act:

Common Stock, $0.01 par value per share

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: $90,994,000.

Aggregate market value of voting stock held by non-affiliates of registrant (based on the last sale price on March 19, 2002): $22,108,375.

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 9,614,087 shares of common stock, par value $0.01 per share, as of March 19, 2002.

PART I

Item 1. Business

General

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

CECO Group, Inc. ("CECO Group") is a wholly-owned subsidiary of CECO. CECO Group owns 100% of the stock of The Kirk & Blum Manufacturing Company ("Kirk & Blum"), approximately 94% of the common stock of CECO Filters, Inc., a Delaware corporation ("Filters"), 100% of the stock of CECO Abatement Systems, Inc. ("CECO Abatement") and beneficially owns 100% of the stock of kbd/Technic, Inc ("kbd/Technic"). The other operating company controlled by CECO, New Busch Co., Inc. ("Busch"), is a wholly-owned subsidiary of Filters. CECO operates through its wholly-owned subsidiary, CECO Group. The terms "we", "us" and "our" herein refer to CECO, CECO Group, Filters, and their respective subsidiaries. "CECO" or the "Company" refers to CECO Environmental Corp.

Over the past two and a half years, our business strategy has been to transition from a product-based company to a solutions-based provider. Several accomplishments that have helped us with this transformation are:

- We made key operating management changes within Filters, Busch and Kirk & Blum's Louisville division.
- We implemented a targeted sales approach with "Centers of Excellence" industry teams to identify and capture profitable sales and cross-marketing opportunities throughout our organization.
- We put into action operating plans to help us realize synergies created among our companies after the acquisition of Kirk & Blum.
- We completed the consolidation of the Company's administrative and finance functions to Cincinnati, Ohio.
- We eliminated, by closing down U.S. Facilities Management, Inc. and selling the assets of Air Purator Corporation ("APC"), those divisions that were not as profitable or did not serve our vision for our future operations. We also intend to divest the assets of Busch MARTEC.
- We launched CECO Abatement in May 2001 to leverage existing fabrication and installation resources for thermal oxidation technology with Kirk & Blum by adding higher-level engineering design capabilities.
- We established KB Duct, a division of Kirk & Blum, to complement an existing products business unit with Kirk & Blum.

During the 1999 fiscal year, we underwent a fundamental transformation that triggered our ability to begin to position ourselves as a solutions-based provider. With the acquisition of Kirk & Blum and kbd/Technic on December 7, 1999, the size of our business and focus was fundamentally changed. 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, added a new dimension to our product line that broadened our coverage of air pollution control technology. In 1999, Kirk & Blum and kbd/Technic had combined revenue of $70,435,000 (unaudited), while the revenue of CECO and its subsidiaries (other than Kirk & Blum and kbd/Technic, Inc.) for that period was $17,525,664. Prior to December, 1999, Filters was the Company's primary operating subsidiary. Its primary business was acting as an equipment manufacturer and seller. Specifically, its major products are industrial air filters known as fiber bed mist eliminators.

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

The senior secured credit facility has been amended through five amendments to, among other things, reduce minimum coverage under several financial covenants. Additional fees have been paid and prepayments of principal on the Bank Facility have been made in connection with these amendments.

In addition, as a condition to obtaining the Bank Facility, we 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.

The $5 million subordinated debt was provided to us in connection with the Kirk & Blum transaction in the amount of $4 million by Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. ("Green Diamond"), $500,000 by ICS Trustee Services, Ltd. and $500,000 by Harvey Sandler. These investors were also issued warrants to purchase 1,000,000 shares of Common Stock in the aggregate (the "Subdebt Warrants") at a price of $2.25 per share, the fair market value of the shares at date of issuance. ICS Trustee Services, Ltd. and Harvey Sandler are not our affiliates. 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 Louis DeZwirek, Phillip DeZwirek's son, a director and Secretary of the Company and a major stockholder of the Company. The promissory notes, which were issued to evidence the subordinated debt, provide that they accrue interest at the rate of 12% per annum, payable semi-annually. Payments of interest are subject to the subordination agreement with the banks providing the financing referred to above.

In December 2001, the Subdebt Warrants were exercised for 1,000,000 shares, and we received gross proceeds of $2,250,000 from such exercise.

On December 31, 2001, we completed the sale of 706,668 shares of our common stock, at a price of $3.00 per share, and the issuance of warrants ("Warrants") to purchase 353,334 shares of our common stock (collectively, with the 706,668 shares, the "Investor Shares") at an initial exercise price of $3.60 per share, to a group of accredited investors (the "Investors") led by Crestview Capital Fund, L.P., a Chicago-based private investment fund. We used these proceeds along with the proceeds received from the exercise of the Subdebt Warrants, to pay down the Bank Facility. We have agreed to use our best efforts to register the Investor Shares on a Form S-1, which has or will be initially filed with the Securities Exchange Commission on or about March 28, 2002. The shares that were issued upon exercise of the Subdebt Warrants and the 14,000 shares underlying warrants that were issued as a finder's fee in connection with the sale of shares to the Investors will also be included in the Form S-1, for a total of 2,074,002 shares.

In addition, under the Subscription Agreement CECO entered into with the Investors, we are required to issue to such Investors additional shares for every $100,000 our EBITDA for fiscal year 2002 is below $7,800,000, up to a maximum of 826,802 additional shares.

We sold the assets of a subsidiary of Filters, APC, as of December 31, 2001, and intend to divest the assets of a division of Busch called Busch MARTEC by June 30, 2002. APC was engaged in the manufacture of specialty needled fiberglass fabrics and Busch MARTEC acts as a manufacturer's representative with manufacturers of air and fluid products.

Products and Services

We have two segments, our Systems Segment, consisting of Kirk & Blum, Busch, kbd/Technic and CECO Abatement, and our Media Segment, consisting of Filters and, prior to the sale of its assets, APC. No class of similar products or services accounted for ten percent (10%) or more of our consolidated revenues in 2001 or 2000 or fifteen percent (15%) in 1999. See Note 19 to our Consolidated Financial Statements for financial information regarding segment reporting.

The Kirk & Blum Manufacturing Company

Kirk & Blum is the dominant part of the Systems Segment, with its headquarters in Cincinnati, Ohio. It serves as the backbone to our operations in terms of the majority of revenue generated, depth and breadth of personnel employed, and services provided by its administrative and finance staff. Kirk & Blum has been operating continuously since its founding in 1907. Before its purchase by CECO, Kirk & Blum was continuously owned and operated by family members of one of the original founders. Operating management of Kirk & Blum remained the same after its acquisition by CECO.

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 that capture, clean and destroy 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 2001, Engineering News Record ranked Kirk & Blum as the largest specialty sheet metal contractor in the country in 2000. With a diversified base of more than 1,500 active customers, Kirk & Blum provides services to a myriad of industries including aerospace, brick, cement, ceramics, metalworking, printing, paper, food, foundries, metal plating, woodworking, chemicals, tobacco, glass, automotive, and pharmaceuticals.

Increasingly stringent air quality standards and the need for improved industrial workplace environments are chief among the factors that drive Kirk & Blum's business. Some of the underlying federal legislation that affects air quality standards is the Clean Air Act of 1970 and the Occupational Safety and Health Act of 1970. The Environmental Protection Agency ("EPA") and Occupational Safety and Health Administration Agency ("OSHA"), as well as other state and local agencies, administer these air quality standards. Industrial air quality has been improving through EPA mandated Maximum Achievable Control Technology ("MACT") standards and OSHA established Threshold Limit Values ("TLV") for more than 1000 industrial contaminants. Recent bio-terrorism threats have also increased awareness for improved industrial workplace air quality. Any of these factors, whether individually or collectively, tend to cause increases in industrial capital spending that are not directly impacted by general economic conditions, expansion or capacity increases. Favorable conditions in the economy generally lead to plant expansions and the construction of new industrial sites. Economic expansion provides Kirk & Blum with the potential to increase and accelerate levels of growth.

Kirk & Blum's strategy is to provide a solutions-based approach for controlling industrial airborne contaminants by being a single source provider of industrial ventilation and air-pollution control products and services. Kirk & Blum believes this provides a discernable competitive advantage and executes this strategy by skillfully utilizing our portfolio of in-house technologies and those of third party equipment suppliers. Many of these have been long standing relationships. This enables Kirk & Blum to leverage existing business with selective alliances of suppliers and application specific engineering expertise. Kirk & Blum, therefore, competes with its competitors by providing competitive pricing with turnkey solutions.

The operating framework of Kirk & Blum has developed into a "hub and spoke" business model whereby executive management and finance and administrative staff serve as the hub and the operating units serve as spokes. This decentralized operating philosophy is used in all of our operating units. Each operating location is operated autonomously as a profit center except for back office support such as finance and administration. Company wide efforts to capitalize on industry and customer sales and cross marketing opportunities are coordinated through a "Centers of Excellence" marketing program led by the Company's senior vice president of sales and marketing. Production capacity is generally considered on an aggregate basis based on physical and labor capabilities available throughout Kirk & Blum's seven operating locations. For example, larger projects

may be built as components in one or more operating locations. Kirk & Blum has approximately 420,000 square feet in manufacturing space in its seven operating locations. The largest located in Cincinnati, Ohio has approximately 240,000 square feet, while the six other locations range in size from 10,000 to 30,000 square feet. Capacity for projects involving field installation generally are only limited to local employment availability. When acquiring such projects, Kirk & Blum has not experienced any appreciable limitations due to local labor shortages in the past 15 years.

Kirk & Blum has four principal lines of business, all evolving from the original air pollution systems business (contracting, fabricating, parts and clamp-together duct systems). The largest line of business, with seven strategic locations throughout the Midwest and Southeast United States, is air pollution control systems and industrial ventilation. This line of business includes designing, fabricating, and installing complete systems on a turnkey basis. Kirk & Blum's system product offerings include oil mist collection, dust collection, industrial exhaust, chip collection, industrial baghouses, make-up air, as well as automotive spray booth systems, industrial and process piping, and other industrial sheet metal work. Kirk & Blum's expertise is providing a cost effective engineered solution to in-plant process problems in order to control airborne pollutants. Major customers include General Electric, General Motors, Procter & Gamble, Ingersoll Milling Machine, Lafarge, Corning, RR Donnelly, Toyota, Matsushita, and Alcoa. North America is the principal market served by Kirk & Blum. It has also, at times, supplied equipment and engineering services in certain overseas markets. Kirk & Blum sales personnel directly market and sell these products and services.

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. Kirk & Blum has developed significant expertise in custom sheet metal fabrication. These operations give Kirk & Blum flexible production capacity to meet project schedules and cost targets in air pollution control projects while generating additional fabrication revenue in support of non-air pollution control industries. The United States is the principal market served. Kirk & Blum believes that it is the fabricator of choice of product components for many companies choosing to outsource their manufacturing. Generally, Kirk & Blum will market its custom fabrication services under a long-term sales agreement. For example, Kirk & Blum will receive a customer commitment with a blanket purchase order and obtain releases for orders during the term of the agreement. Kirk & Blum sales personnel directly market and sell these products and services. Major customers include Siemens, General Electric, 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. Some of the products produced are used in other Kirk & Blum operating units. 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. The United States is the primary market served. Products are principally sold to distributors, dealers and contractors. Kirk & Blum also sells products through telemarketing efforts. Major distributors of this division's products include N.B. Handy, Three States Supply, Albina Pipe Bending, and Indiana Supply.

K&B Duct, a division of Kirk & Blum, began operations in 2001. This division, based in Greensboro, North Carolina, produces a clamp together componentized duct system utilizing an over-center latching mechanism for industrial users across North America. This system is primarily used in source capture of nuisance dust, fume and other airborne contaminates. These products are considered a cost effective alternative to traditional duct (e.g., welded, bolted or tech-screwed together duct) due to installation savings and reusability. Duct components range from 4 inches to 22 inches in diameter in galvanized or stainless steel. The market for these products is in light to moderately abrasive particulate applications. Industries that utilize these products include furniture, metal fabrication, cement, paper, chemical, and food. Kirk & Blum sales personnel directly market and sell these products and services. Some cross-marketing opportunities may occur among Kirk & Blum's other divisions.

During 2001, Kirk & Blum contributed $78.9 million to consolidated revenue or 86.7% of our total consolidated revenue, $76.2 million or 84.8% in 2000, and $4.7 million or 21.1% in 1999. During 2001, the Systems Segment as a whole contributed $85.1 million to our consolidated revenue or 93.5% of our total consolidated revenue, $84.3 million or 93.9% in 2000, and $15.1 million or 67.5% in 1999. Busch contributed $10.2 million, or 45.7% of our consolidated revenue in 1999.

We believe that the Systems Segment with respect to working capital items is consistent with industry practices. An objective is to make our jobs self-funding. We try to achieve this by (a) progress billing contracts, when possible, (b) utilizing extended payment terms from material suppliers, and (c) paying sub-contractors after payment from our customers, which is an industry practice. Our investment in net working capital is funded by cash flow from operations and by our revolving line of credit. Inventory does not constitute a significant part of this segment's investment in working capital. Stock items used in this segment such as angle iron, sheet metal and welding supplies, are generally readily available with short notice to our suppliers.

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. kbd/Technic personnel directly market and sell their services.

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 is the beneficial owner of 100% of the stock of kbd/Technic.

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. Prior to 2002, Busch consisted of two divisions: Busch INTERNATIONAL and Busch MARTEC. In 1999, 2000 and 2001, Busch generated approximately 58%, 48% and 38% of Filters' consolidated net sales, respectively. By June 30, 2002, we intend to divest the assets that related to Busch MARTEC. Busch MARTEC operates as a manufacturer's representative business for manufacturers of air and fluid products and does business almost exclusively in Ohio, Pennsylvania and West Virginia.

Busch INTERNATIONAL 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 a strip cooler, strip dryer, coil cooler, and strip blow-off system and is gaining market recognition 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 personnel market and sell Busch products and services with Busch sales personnel and manufacturers' representatives. Busch's products and services are generally marketed in geographic regions with metal manufacturing facilities. At certain times, more than half of Busch's work may be supplying overseas markets.

CECO Abatement Systems, Inc.

CECO Abatement was established in 2001 as a wholly-owned subsidiary of CECO Group. This company was created to extend penetration into the thermal oxidation market. CECO Abatement leverages Kirk & Blum's knowledge by complementing it with additional engineering and marketing expertise to broaden its appeal to a larger thermal oxidation market. CECO Abatement engineers, builds and installs thermal oxidation control systems that eliminate toxic emission fumes and volatile organic compounds ("VOC's") that result from large-scale industrial processes. CECO Abatement will contract out the fabrication and installation of the systems to other CECO companies or to third parties. CECO Abatement supplies its products and services to new construction and existing production facilities. As with Kirk & Blum, increasingly stringent air quality standards are chief among the factors expected to drive its business.

CECO Abatement, based in Chicago, Illinois, is oriented to serve the North American market. It may also supply equipment and engineering services in certain overseas markets. Its first significant order in 2001 was in collaboration with Kirk & Blum, securing orders valued at approximately $4 million to supply regenerative thermal oxidation systems for alternative fuel plants located in North America. The customer base is expected to be comprised of prime contractors supplying specialized equipment and industrial users, all of which will require destruction of VOC's or other toxic fumes. CECO Abatement is expected to service a diverse industrial base. Sales personnel directly market and sell these products and services.

Media Segment

CECO Filters, Inc.

Filters is located in Conshohocken, Pennsylvania. Filters manufactures and sells industrial air filters known as fiber bed mist eliminators. In the past two years, Filters has been transitioning from a company that sells equipment to a company that, like Kirk & Blum, provides turnkey design services. 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 also are 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.

Since 1999, Filters has 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.

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 and 2001, Filters partnered with Kirk & Blum to offer Filters customers a turnkey package. 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.

During 2001, the Media Segment contributed $7.9 million to consolidated revenue or 8.6% of the total consolidated revenue, $6.5 million or 7.2% in 2000, and $7.7 million or 34.4% in 1999. In 1999, Filters contributed $4.1 million, or 18.3% to our consolidated revenue.

We believe that the Media Segment practices with respect to working capital items are consistent with industry practices. The investment in net working capital is funded by cash flow from operations and by our revolving line of credit. Filters generally maintains consistent levels of inventory and receives standard payment terms from material suppliers. Billing, with 30-day terms, occurs upon shipment from Filters' facility. Stock items used in this segment are generally readily available with short notice to our suppliers.

Customers

Systems Segment

No customers comprised 10% or more of our net revenues for 2001. The Systems Segment does not depend upon any one or few customers.

Media Segment

During 2001, no customers or group of customers of Filters comprised 10% or more of our net revenues, however, one customer group comprised approximately 15% of the Media Segment revenue. We believe that the loss of such customers would not have a material adverse affect on our business, although the immediate loss of such customers may materially adversely impact the Media Segment on a temporary basis.

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.

Suppliers

Systems Segment

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.

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.

We believe that to the extent our current suppliers are unable or unwilling to continue to supply Kirk & Blum or Busch with its materials, we would be able to obtain such materials from other suppliers on acceptable terms.

Media Segment

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.

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.

Backlog

Systems Segment

The backlog for the Systems Segment represented by firm purchase orders from our customers was approximately $18.2 million and $11.2 million at the end of the fiscal years 2001 and 2000, respectively. The segment's entire 2000 backlog was completed in 2001. The segment's entire 2001 backlog is expected to be completed in 2002.

Media Segment

The backlog for the Media Segment represented by firm purchase orders from our customers was approximately $0.4 million and $0.9 million at the end of the fiscal years 2001 and 2000, respectively. The segment's entire 2000 backlog was completed in 2001. The segment's entire 2001 backlog is expected to be completed in 2002.

Competition and Marketing

Systems Segment

We do not believe that there are other national competitors on the scale of Kirk & Blum or any dominant players in the industrial ventilation and air pollution control markets. The market is fragmented with numerous smaller and regional participants. As a result, competition varies widely by region and industry.

Kirk & Blum believes it 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.

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

Busch, in addition to using direct solicitation and some sales representatives, also participates in industrial shows. Busch's products and services are generally marketed in geographic regions with metal manufacturing facilities. At times, more than half of Busch's revenue may be generated from overseas markets.

With respect to Filters' products, Monsanto Corporation may be larger in the fiber bed mist eliminator industry. Monsanto's financial resources are 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 believes it is the second largest among Monsanto and its next three largest competitors. The increase in financial strength of CECO and its subsidiaries resulting from the acquisition of Kirk & Blum has increased Filters ability to compete. The principal method of competition for fiber-bed mist eliminators is by price followed by systems capability.

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. We believe 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 faces substantial competition. Filters faces 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.

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

Filters also utilizes sales representatives located in North America, Korea, Taiwan and Japan. Filters products and systems are marketed in the North American and Asian markets.

Government Regulations

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

Research and Development

During 2001, 2000 and 1999, costs expended in research and development have not been significant. Such costs are generally included as factors in determining pricing.

Employees

We had 671 full-time employees and 2 part-time employees as of December 31, 2001. All employees are unionized, except for administrative personnel and executives of CECO, CECO Group and Kirk & Blum, and employees of Filters, Busch and CECO Abatement. We consider our relationship with our employees to be satisfactory. Various union contracts expire from March 2002 to May 2006. We are in the process of renegotiating expiring contracts.

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.

Intellectual Property

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

Systems Segment

Busch purchased, among other assets, three patents from Busch Co. in 1997 that relate to the JET*STAR systems. The Patent and Trademark Office ("PTO") records do not currently reflect such transfer. We are in the process of attempting to obtain the proper documentation to file with the PTO. JET*STAR(TM) systems are one of the major revenues for the Systems Segment.

Media Segment

Filters currently holds a US patent for its N-SERT(R) and X-SERT(R) prefilters and for its Cantenary Grid scrubber. Filters also holds a US patent for a fluoropolymer fiberbed for a mist eliminator, a US patent for a fluted filter, and a US patent for a multiple in-duct filter system. Such patents combined do not have significant value to our overall performance. We were assigned the patent to a multiple throat narrow gap venturi scrubber, which patent may have significant value to the Media segment. We are in the process of attempting to file the proper documentation with the PTO to reflect proper ownership. Current PTO records indicate that the party from which we obtained such patent owns such patent.

Item 2. Properties

CECO's principal executive and operating offices and 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.

CECO has an executive office in Toronto, Canada, at facilities maintained by affiliates of its Chief Executive Officer and Chairman of the Board and Secretary, who work at the Toronto office. The Company reimburses such affiliate $5,000 per month for the use of the space and other office expenses.

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

Kirk & Blum leases the following facilities:

Location	Square Footage	Annual Rent	Expiration
Columbia, Tennessee.....	28,920	$ 93,000	August 2005
Greensboro, North Carolina	30,000	$120,000	August 2006
Louisville, Kentucky.....	17,941	$ 45,000	May 2002
Defiance, Ohio.....	10,000	$ 27,000	June 2002

Filters owns a 37,400 square foot plant facility in Conshohocken, Pennsylvania.

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 10,000 square feet at an annual rental of $88,000. Andrew M. Halapin, the former principal owner of Busch, is the beneficial owner of the property in which Busch's offices are located. CECO will terminate the lease at the end of its term. Busch rents approximately 1,000 square feet at a warehouse in Pittsburgh, PA at an annual rent of $4,600.

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

We consider the properties adequate for their respective purposes.

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

Our annual meeting of the shareholders was held on December 3, 2001. At the meeting, the Company's five directors Phillip DeZwirek, Jason Louis DeZwirek, Richard Blum, Josephine Grivas and Donald Wright were elected, and the appointment of Deloitte & Touche LLP as the Company's accountants was ratified. The shareholders also approved the reincorporation of the Company from New York to Delaware. The votes for each of the directors were 7,100,655, with 16,864 against and no abstentions. The votes for reincorporation to Delaware were 7,105,675, with 8,400 against and 3,444 abstentions. The votes for the appointment of Deloitte & Touche LLP was 7,100,655 with 16,864 against and no 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 SmallCap Market 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			CECE Common Stock Bids		
2000	High	Low	2001	High	Low	2002	High	Low
1st Quarter	$ 3.375	$2.0625	1st Quarter	$2.13	$ 1.44	1st Quarter	$3.85	$3.02
2nd Quarter	$2.9375	$ 2.00	2nd Quarter	$2.40	$1.375	(through March 14, 2002)		
3rd Quarter	$ 2.50	$ 2.00	3rd Quarter	$2.30	$ 1.76			
4th Quarter	$2.3125	$ 1.125	4th Quarter	$4.60	$ 2.01			

(b) The approximate number of beneficial holders of common stock of the Company as of March 14, 2002 was 1,680.

(c) The Company has paid no dividends during the fiscal year ended December 31, 2000 or the fiscal year ended December 31, 2001. 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.

(d) In the year 2001, we issued the following securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

1. On October 5, 2001, we issued an option to purchase 25,000 shares of common stock to Jason Louis DeZwirek.

2. In December 2001, we issued an aggregate of 1,000,000 shares of common stock to Green Diamond, Harvey Sandler and ICS Trustee Services, Ltd. upon the exercise of warrants. These warrants had been acquired from us on December 7, 1999 in a private transaction.

3. On December 31, 2001, we completed the sale of 706,668 shares of our common stock, at a price of $3.00 per share, and the issuance of warrants to purchase 353,334 shares of our common stock at an initial exercise price of $3.60 per share, to the Investors. We paid commissions of $104,500 in connection with such placement. In connection with such transaction, we also issued warrants as of December 31, 2001 to purchase 14,000 shares of common stock pursuant to an agreement with The Shemano Group at a price of $3.00 per share.

There were no underwriters employed in connection with any of these issuances. The issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. All recipients either received adequate information about us or had access, through employment or other relationships, to such information.

Item 6. Selected Financial Data

The following table sets forth our selected financial information. The financial information as of December 31, 2001 and 2000 and for the years ended December 31, 2001, 2000 and 1999 has been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The financial information as of December 31, 1999, 1998 and 1997 and for the years ended December 31, 1998 and December 31, 1997 have been derived from our audited consolidated financial statements not included in this Annual Report. This historical selected financial information may not be indicative of our future performance and should be read in conjunction with the information contained in "Management's Discussion and Analysis of Financial Condition

and Results of Operations" and the consolidated financial statements and the related notes included elsewhere in this Annual Report.

	Year Ended December 31,				
	2001(1)	2000(2)	1999	1998	1997
	(dollars in thousands, except per share amount)				
Statement of operations information:					
Net sales	$90,994	$89,817	$22,414	$ 21,753	$14,531
Gross profit	18,532	18,097	8,387	8,235	6,415
Depreciation and amortization	2,320	2,154	729	582	385
Income (loss) from continuing operations	(264)	(690)	(434)	945	(54)
Discontinued operations	--	--	(509)	(412)	--
Net (loss) income	(264)	(690)	(943)	533	(54)
Basic and diluted net (loss) earnings per share from continuing operations(4)	(.03)	(.08)	(.05)	.11	(.01)
Basic and diluted net (loss) earnings per share(4)	(.03)	(.08)	(.11)	.06	(.01)
Weighted average shares outstanding (in thousands)					
Basic	7,899	8,195	8,485	8,251	6,868
Diluted	7,899	8,195	8,485	8,846	6,868
Supplemental financial data:					
Ratio of earnings to fixed charges(5)	n/a	n/a	n/a	7.62 to 1	n/a
Deficiency(5)	$ (141)	$(1,032)	$ (281)	n/a	$ (71)
Cash flows from operating activities	4,382	2,630	(846)	(759)	2,563
EBITDA(6)	5,325	4,164	1,171	2,464	361

	At December 31,				
	2001(1)	2000(2)	1999	1998	1997
	(dollars in thousands)				
Balance sheet information:					
Working capital	$ 8,063	$10,690	$14,504	$ 372	$ 649
Total assets	53,030	54,954	56,448	15,475	13,961
Short-term debt	2,826	3,776	2,788	1,585	334
Long-term debt	18,588	26,101	28,290	1,570	1,733
Shareholders' equity(3)	9,821	7,008	9,038	7,557	6,743

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(1) During December 2001, we received approximately $4.4 million of gross proceeds from equity transactions.

(2) During fiscal 2000, depreciation and goodwill increased by $0.6 million due to the acquisition of Kirk & Blum and kbd/Technic, whose results of operations are included with their respective dates of acquisition.

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

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

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

(6) EBITDA equals operating income (loss) plus depreciation and amortization expense. EBITDA is not intended to represent cash flow or any other measure of performance of liquidity in accordance with accounting principles generally accepted in the United States of America. EBITDA is included here because we believe that you may find it to be a useful analytical tool. Other companies may calculate EBITDA differently, and we cannot assure you that our figures are comparable with similarly titled figures for other companies.

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

Overview

Our principal operating units are Kirk & Blum, kbd/Technic, Inc., Filters, Busch, CECO Abatement, and APC, 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. We provide standard and engineered systems and filter media for air quality improvement through our Media segment.

Our Systems segment consists of Kirk & Blum, kbd/Technic, Busch and CECO Abatement. 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 2001, Engineering News Record ranked Kirk & Blum as the largest specialty sheet metal contractor in the country in 2000. With a diversified base of more than 1,500 active customers, Kirk & Blum provides services to a number of industries including aerospace, ceramics, metal working, printing, paper, food, foundries, metal plating, woodworking, chemicals, tobacco, glass, automotive and pharmaceuticals. Busch engages in the business of marketing, selling, designing and assembling ventilation, environmental and process related products. Busch 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 system work. Areas of expertise include turbine inlet filtration, evaporative cooling, gas absorption, scrubbers, acoustics and corrosion control. Busch uses a variety of standard, proprietary and patented technologies including its JET*STAR(TM). kbd/Technic is a specialty engineering firm concentrating in industrial ventilation and dust and fume control. CECO Abatement engineers, builds and installs thermal oxidation control systems to eliminate toxic emission fumes and volatile organic compounds resulting from large-scale industrial processes. These companies have extensive knowledge and experience in providing complete turnkey systems in new installations and renovating existing systems.

Our Media segment consists of Filters and APC. Filters, located in Conshohocken, Pennsylvania, manufactures and sells industrial air 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. 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 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. Filter's filters are used by, among others, the chemical and electronics industries; manufacturers of various acids, vegetable and animal based cooking oils, textile products, alkalis, chlorine, paper, computers, automobiles, asphalt, pharmaceutical products and chromic acids; electric generating facilities including cogeneration facilities; and end users of pollution control products such as incinerators. APC, which was sold effective December 31, 2001, designed and manufactured 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.

Critical Accounting Policies

The consolidated financial statements of CECO are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of

the financial statements and the reported amounts of revenues and expenses during the periods presented. CECO believes that of its significant accounting policies, the accounting policy for recognizing revenues under the percentage of completion method may involve a higher degree of judgments, estimates, and complexity.

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

The following discussion of our 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

Our consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999 reflect our operations, consolidated with the operations of our subsidiaries. At December 31, 2001, CECO 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, 2001, 2000 and 1999. This table should be read in conjunction with the consolidated financial statements and notes thereto.

	Year Ended December 31,		
	2001	2000	1999
Net Sales	100.0	100.0	100.0
Costs and expenses:			
Cost of Sales	79.6	79.9	62.6
Selling and administrative	14.5	15.5	32.2
Depreciation and amortization	2.6	2.4	3.2
	96.7	97.8	98.0
Income from continuing operations before investment income and interest expense	3.3	2.2	2.0
Investment income	.4	.9	2.2
Interest expense	3.9	4.2	5.4
Loss from continuing operations before income taxes and minority interest	(.2)	(1.1)	(1.2)
Provision (benefit) for income taxes	.1	(.3)	.7
Loss from continuing operations before minority interest	(.3)	(.8)	(1.9)
Minority interest	0	0	0
Loss from continuing operations	(.3)	(.8)	(1.9)
Loss from discontinued operations	0	0	(2.3)
Net Loss	(.3)	(.8)	(4.2)

2001 vs. 2000 Consolidated net sales increased 1.3%, or $1.2 million to $91.0 million, driven by a 21.3%, or a $1.4 million increase in revenue from the Media segment. The Systems segment's revenue increased $0.7 million or 1% during 2001. Intersegment sales, which eliminate in consolidation, rose $.9 million to $2.0 million during 2001. The significant increase in the Media segment's sales resulted from a $2.2 million increase in Filter's sales partially offset by a $0.8 million decrease in sales of APC. The increase is attributed to the successful implementation of a new marketing campaign by Filters focusing on nurturing relationships and increasing repeat orders. The market for APC's high temperature pulse jet bag houses continued to decline during 2001 compared to 2000. In December 2001, we sold the fixed assets and inventory of APC, a wholly owned subsidiary, for $475,000. The sale of APC was financed by the Company, with a substantial portion of the financing due on March 15, 2002. The purchaser failed to repay the note in full at maturity and we are in the process of negotiating extended payment terms for the note. The Company also provided a working capital note that was to mature on March 15, 2002 and was secured by a personal guaranty from the purchasers' principal shareholder. The aggregate principal outstanding on the notes is approximately $475,000. The note is secured by the APC assets sold to the purchaser. We have deferred the gain of $250,000 on the sale of the assets until a substantial portion of the notes are collected or collection of such notes is reasonably assured. Sales in the Systems segment increased slightly as sales to steel foundries and automotive manufacturers continued to decline during the second half of the year causing sales for the systems segment to slow down. Management is optimistic for 2002 considering backlog for the consolidated company is $18.6 million of which the Systems segment comprises $18.2 million of the total.

Gross profit excluding depreciation increased $0.4 million to $18.5 million in 2001 compared with $18.1 million in 2000. Gross profit as a percentage of revenues, was 20.4% in 2001 compared with 20.1% in 2000. The gross margin of each the companies was consistent with the gross margin in 2000 except for APC which decreased 8.0%. During the second quarter of 2001, we expanded our design build capabilities into specialty piping for automotive finishing facilities. In connection with this expansion, we entered into a contract that resulted in a contract loss of $1.3 million. Accordingly, a charge was recorded to cost of sales for that amount. We abandoned our plans to continue our expansion in this area. Gross profit for the Systems segment was negatively impacted by about 1% as a result of this charge.

Selling and administrative expenses decreased by $0.7 million to $13.2 million in 2001. Selling and administrative expenses, as a percentage of revenues for 2001 were 14.5% compared to 15.5% in 2000. This reduction results from the cost savings identified in 2000, the reversal of a contingency reserve held in connection with a customer bankruptcy ($0.2 million), and the reversal of a reserve held in conjunction with the operations discontinued in 1999 ($0.2 million). As management anticipated, the cost reductions identified resulted in a favorable impact in 2001. Depreciation and amortization increased by $0.1 million to $2.3 million in 2001.

Investment income decreased by $0.4 million to $0.4 million during 2001 compared with $0.8 million in 2000. The decrease was a result of reduced investment income from the Company's holdings in Peerless Manufacturing common stock, which was sold in the first half of 2001.

Interest expense decreased by $0.3 million to $3.5 million during 2001 compared with $3.8 million in 2000 principally due to lower borrowing levels and decreased rates under the bank credit facility.

Federal and state income tax provision was $0.1 million in 2001 compared with a tax benefit of $0.3 million in 2000. The effective income tax rate in 2001 was 93%. The effective income tax rate is affected by non-deductible goodwill amortization and interest expense particularly in years when income (loss) from operations before income taxes and minority interest is low in comparison to the non-deductible items.

Net loss for the year ended December 31, 2001 was $0.3 million compared with a net loss of $0.7 million in 2000.

2000 vs. 1999 Consolidated net sales increased 301% for the twelve months ended December 31, 2000 to $89.8 million, up $67.4 million over 1999. This increase was attributed 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 revenues 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 by Busch. Our newly acquired Kirk & Blum operating unit generated increased revenue over its 1999 levels. The decline in revenue from Busch is principally due to the general decline in the metal industry and a decline in demand at rolling mills for fume exhaust systems and Busch's propriety JET*STAR(TM) cooling technology. However, both the inquiry level and order level increased late in 2000 for the aluminum segment of the metal industry. Media segment sales reflect a decline of $1.2 million primarily due to a decline in sales by APC. Sales to bag manufacturers that use the filter media in pulsejet bag houses slowed during 2000 due in part to inventory rationalization and increased competition from lower priced filter media. We believe that our filter media has better performance characteristics in high temperature use applications than its competitors and we are pursuing this avenue in its marketing approach.

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 20.1% 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 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 of our 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 $0.6 million reserve in the fourth quarter of 2000. We are 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.

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 our 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 $0.4 million. Depreciation and amortization increased by $1.4 million to $2.2 million in 2001, primarily due to the larger base of depreciable and amortizable assets and goodwill resulting from the acquisition of Kirk & Blum and kbd/Technic.

Investment income increase by $0.3 million to $0.8 million during 2000 compared with $0.5 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, our most significant investment was Peerless stock which was $15.50 per share as of December 31, 2000.

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, CECO issued a demand note and warrants to purchase 1,000,000 shares of common stock to a related party. The inherent discount associated with the value of the warrants was immediately amortized, and $0.6 million of interest expense was recognized in the quarter ended September 30, 1999. Management of CECO 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.

Federal and state income tax benefit was $0.3 million in 2000 compared with a tax provision of $0.2 million in 1999. The 29.4% effective income tax benefit rate in 2000 was less than the statutory rate primarily due to nondeductible goodwill amortization relating to investments in Filters, Kirk & Blum and kbd/Technic.

Discontinued operations reflect the closure of the operations of our subsidiary, US Facilities Management, during 1999. Operating losses and disposal costs, net of income tax benefits and minority interest totaled $0.5 million in 1999.

Net loss for the year ended December 31, 2000 was $0.7 million compared with a net loss of $0.9 million in 1999.

Backlog

Our backlog consists of orders we have received for products and services we expect to ship and deliver within the next 12 months. Our backlog, as of December 31, 2001 was $18.6 million compared to $12.1 million as of December 31, 2000. The Systems segment provided over 97% of the backlog in 2001 and 92% in 2000. There can be no assurances that backlog will be replicated or increased or translated into higher revenues in the future. The success of our business depends on a multitude of factors that are out of our control. Our 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 our dependence on efforts of intermediaries to sell a portion of our product.

Financial Condition, Liquidity and Capital Resources

On December 7, 1999, we 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 CECO Group, the wholly-owned subsidiary of CECO. We paid cash totaling approximately $25 million to owners of Kirk & Blum and kbd/Technic and we assumed debt obligations of Kirk & Blum and kbd/Technic totaling $5 million. The transaction was accounted for as a purchase. The activity of Kirk & Blum and kbd/Technic has been included with our 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 our consolidated balance sheets as of December 31, 2001, 2000 and 1999 related to these acquisitions. Under the terms of an escrow agreement entered into between CECO and the owner of Kirk & Blum, we received $0.3 million during the second quarter of 2000 as a post-closing price adjustment.

At December 31, 2001, cash and cash equivalents and marketable securities totaled $0.1 million compared with $1.7 million at December 31, 2000. Cash provided by operating activities for the year ended December 31, 2001, was $4.4 million in 2001 compared with cash provided of $2.6 million for the same period in 2000.

Our investment in marketable securities consisted of our investment in Peerless Manufacturing Company and other investments with a value of $1.0 million on December 31, 2000. We sold the remaining balance of the marketable securities held in Peerless Manufacturing Company during 2001.

Total bank and related debt as of December 21, 2001 was $17.7 million, a decrease of $8.8 million, due to net repayments under bank credit facilities and payments made with respect to other notes payable. Unused credit availability at December 31, 2001, was $3.8 million under our bank line of credit.

The senior secured credit facility was amended in August 2001 by reducing the minimum coverage requirements under several financial covenants as of June 30, 2001 and September 30, 2001, raising interest rates by 1%, reducing the total amount available under the revolving line of credit to $8.0 million from $9.0 million and changing the maturity of the revolving line of credit to April 2003 from December 2004. In consideration for this amendment, additional fees were paid to the lenders. The facility was amended in March 2002 by reducing several financial covenants as of December 31, 2001. During December 2001, as discussed below, we raised additional capital of $4.4 million used to reduce the principal balance of the credit facility.

Investing activities used cash of $0.8 million during 2001 compared with cash used of $0.3 million for the same period in 2000. Capital expenditures for property and equipment, and leasehold improvements were $0.8 million during 2001. Expenditures in 2001 were primarily for manufacturing and engineering equipment of

which $0.3 million of equipment expenditures related to the start-up of K&B Duct, a new division in Kirk & Blum. Capital expenditures for property and equipment are anticipated to be in the range of $0.5 million to $0.9 million for 2002 and will be funded by cash from operations, line of credit borrowing and/or lease financing.

Financing activities used cash of $4.2 million during 2001 compared with $2.8 million of cash used by financing activities during the same period of 2000. In the fourth quarter of 2001, we received gross proceeds of $2.1 million and issued 706,668 shares of stock to an outside investor group. Also, in the fourth quarter, Green Diamond and two non-affiliated third parties exercised warrants to purchase 1,000,000 shares of CECO stock generating proceeds of $2.3 million. During 2001, $7.8 million was used to pay down long-term debt offset by proceeds from common stock issued under CECO's Employee Stock Purchase Plan.

We believe that our cash, cash equivalents and marketable securities, cash flows from operations, and our credit facilities are adequate to meet our cash requirements over the next twelve months.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. Implementation of SFAS No. 141 and SFAS No. 142 is required for fiscal 2002. Management is in the process of evaluating the results of the effects of these standards on its financial position.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" requiring that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which superceded SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The primary difference is that goodwill has been removed from the scope of SFAS No. 144. It also broadens the presentation of discontinued operations to include a component of an entity rather than a segment of a business. A component of an entity comprises operations and cash flows that can clearly be distinguished operationally and for financial accounting purposes from the rest of the entity. Implementation of SFAS No. 143 is required for Fiscal 2003 and SFAS No. 144 is required for fiscal 2002. Management is in the process of evaluating the results of the effects of these standards on its financial position.

In June 2000, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended, which is effective for the Company's fiscal years beginning January 1, 2001. 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. We recognized a transition obligation of $209,000 net of tax of $140,000, in other comprehensive loss in the first quarter ended March 31, 2001 from the adoption of SFAS 133.

Forward-Looking Statements

We desire to take advantage of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995 and are making this cautionary statement in connection with such safe harbor legislation. This Form

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

We wish to caution investors that any forward-looking statements made by or on our behalf are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to: changing economic and political conditions in the United States and in other countries, changes in governmental spending and budgetary policies, governmental laws and regulations surrounding various matters such as environmental remediation, contract pricing, and international trading restrictions, customer product acceptance, and continued access to capital markets, and foreign currency risks. We wish to caution investors that other factors might, in the future, prove to be important in affecting our results of operations. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Investors are further cautioned not to place undue reliance on such forward-looking statements as they speak only to our views as of the date the statement is made. We undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Item 7a. Quantitative and Qualitative Disclosure About Market Risk

Risk Management Activities

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

Interest Rate Management

We enter into interest rate swap agreements to manage interest rate costs and risks associated with changing interest rates. The differential to be paid or received under these agreements is accrued and recognized as adjustments to interest expense. The fair value of the swap agreements and changes in the fair value as a result of changes in market interest rates are recognized in Accumulated Other Comprehensive Income (loss) in our consolidated balance sheets. At December 31, 2001, we had interest rate swap agreements outstanding with a commercial bank having a notional principal amount of $9.8 million. This swap effectively changed the interest rate exposure of $9.8 million of our floating debt to a weighted fixed rate of 6.96% plus the applicable spread.

The remaining amount of loans outstanding under the Credit Agreement bear interest at the floating rates as described in Note 11 to the consolidated statements contained in Item 8.

Accordingly, the combined effect of a 1% increase in an applicable index rates would result in additional interest expense of approximately $.1 million annually, assuming no change in the level of borrowings. At December 31, 2001, we had unrealized net losses under an interest rate swap agreement of $.2 million, which has been recorded net of tax in Accumulated Other Comprehensive Income (loss) in the consolidated balance sheet.

We do not hold collateral for these instruments and therefore are exposed to credit loss in the event of nonperformance by the other party to the interest swap agreement. However, we do not anticipate any such nonperformance.

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

	Expected Maturity Date							
	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
($ in thousands)								
Liabilities								
Variable Rate Debt ($)..	2,800	7,673	4,700	2,327	--	--	17,500	17,500
Average Interest Rate.	6.4%	6.7%	6.4%	6.9%			6.6%	6.6%
Subordinated Debt.....	--	--	--	--	3,750	--	3,750	4,140
Average Interest Rate.	--	--	--	--	17.8%	--	17.8%	18.0%
Fixed Rate Debt ($).....	26	26	26	26	60	--	164	164
Average Interest Rate.	3.0%	3.0%	3.0%	3.0%	3.0%	--	3.0%	3.0%
Interest Rate Derivatives								
Interest Rate Swap								
Variable to Fixed ($)...	9,750	--	--	--	--	--	9,750	401
Average Pay Rate.....	7.0%	--	--	--	--	--	7.0%	7.0%
Average Receive Rate..	2.0%	--	--	--	--	--	2.0%	2.0%

Credit Risk

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

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of CECO Environmental Corp. and subsidiaries for years ended December 31, 2001, 2000 and 1999 and other data are included in this Report following the signature page of this Report:

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

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 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 10. 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 with CECO
David D. Blum.....	46	Senior Vice President-Sales and Marketing; Assistant Secretary
Richard J. Blum.....	55	Director; President
Jason Louis DeZwirek	31	Director; Secretary
Phillip DeZwirek....	64	Chairman of the Board of Directors; Chief Executive Officer
Josephine Grivas....	65	Director
Marshall J. Morris..	42	Vice President-Finance and Administration; Chief Financial Officer
Donald A. Wright....	64	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. Mr. Blum is also a director of The Factory Power Company, a company of which CECO owns a minority interest and that provides steam energy to various companies, including CECO. Kirk & Blum and kbd/Technic were acquired by the Company on December 7, 1999. Mr. Richard Blum is the brother of Mr. David Blum.

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 through January 1, 2002 served as a member of the Committee that was established to administer CECO's Stock Option Plan. He also serves as Secretary of CECO Group (since December 10, 1999). Mr. DeZwirek's principal occupation since October 1999 has been as President of kaboose, Inc., a company that owns a children's portal. Mr. DeZwirek is (and has been since 2001) the Chairman of the Board of API Electronics Group, Inc., a publicly traded company, that is a manufacturer of power semi-conductors primarily for military use. From 1993 until he commenced employment with kaboose, Inc., Mr. DeZwirek was President of Digital Fusion Multimedia Corp., a company that adapted books and movies to the CD Rom medium.

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); President of Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. ("Green Diamond") (since 1990) and Vice Chairman and Chief Executive Officer of API Electronics Group, Inc. Mr. DeZwirek has also been involved in private investment activities for the past five years.

Josephine Grivas has been a director of the Company since February 1991. 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, and since January 1, 2002 has served on the Committee that administers the Stock Option 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, 2001, 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. The Audit Committee held three telephonic meetings during the fiscal year ended December 31, 2001.

Section 16(a) Beneficial Ownership Reporting Compliance. We are 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 11. Executive Compensation

Except for the compensation described below, we have not 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 CECO's executive officers or directors.

The following table summarizes the total compensation of Phillip DeZwirek, Richard J. Blum, David D. Blum and Marshall J. Morris for 2001 and the two previous years. 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 CECO. David D. Blum, who also serves as Vice-President of Kirk & Blum, is paid by Kirk & Blum. No other officer of CECO made in excess of $100,000.

Summary Compensation Table For CECO

Name/Principal Position	Year	Annual Compensation Salary	Bonus	Long-Term Compensation Options (#)	All Other Compensation
Phillip DeZwirek	2001	$111,000		500,000(2)	$139,000(1)
Chairman of the Board	2000	$137,545		500,000(3)	
& Chief Executive Officer	1999	$100,000			
Richard J. Blum	2001	$227,538	$122,224	25,000(4)	$ 25,406(5)
President of CECO &	2000	$206,000		448,000(8)	$ 19,883(6)
President & Chief Executive Officer of CECO Group	1999	$ 13,972(7)			
David D. Blum	2001	$170,106	$ 76,388	335,000(12)	$ 17,104(9)
Senior Vice President-Sales	2000	$154,000			$ 10,873(10)
& Marketing and Assistant Secretary of CECO and Vice President of Kirk & Blum	1999	$ 10,458(11)			
Marshall J. Morris	2001	$155,769		50,000(14)	$ 1,377(13)
Vice President-Finance &	2000	$133,211			$ 22,040(15)
Administration and Chief Financial Officer					

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(1) Includes $139,000 paid to Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. for consulting services provided by Mr. DeZwirek through Green Diamond.
(2) Represents 500,000 Warrants issued to Phillip DeZwirek on August 14, 2000.
(3) Represents 500,000 Warrants issued to Phillip DeZwirek on January 22, 1999.
(4) Represents options to purchase 25,000 shares of CECO's stock granted on October 5, 2001. Such options are exercisable at any time between April 5, 2002 and October 5, 2011 at a price of $2.01 per share.
(5) Represents Company contribution of $22,475 to 401(k) plan on behalf of Mr. Richard Blum and $2,931 of insurance premiums paid for term life insurance for his benefit.
(6) Represents Company contribution of $18,315 to 401(k) plan on behalf of Mr. Richard Blum and $1,568 of insurance premiums paid by CECO for term life insurance for the benefit of Mr. Richard Blum
(7) Based on an annual salary of $206,000; Mr. Richard Blum commenced employment with CECO Group on December 7, 1999.
(8) Represents Warrants to purchase 448,000 shares of CECO'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.
(9) Represents Company contribution of $16,362 to 401(k) plan on behalf of Mr. David Blum and $742 of insurance premiums paid for term life insurance for his benefit.
(10) Represents Company contribution of $10,134 to 401(k) plan on behalf of Mr. David Blum and $740 of insurance premiums paid by CECO for term life insurance for the benefit of Mr. David Blum.
(11) Based on an annual salary of $154,000; amount shown is from December 7, 1999, the date CECO Group acquired Kirk & Blum.
(12) Represents Warrants to purchase 335,000 shares of CECO'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.
(13) Represents Company contribution of $897 to 401(k) plan on behalf of Mr. Morris and $480 of insurance premiums paid for term life insurance for his benefit.
(14) Represents Options to purchase 50,000 shares of CECO's stock granted on January 20, 2000. Such options become exercisable at the rate of 20% per year over the five years following January 20, 2000 at a price per share of $2.50.
(15) Represents Company contribution of $436 to 401(k) plan on behalf of Mr. Morris, $284 of insurance premiums paid by CECO for term life insurance for the benefit of Mr. Morris and $21,320 of reimbursement of relocation expenses.

Option Grants and Exercises in Last Fiscal Year

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

Option/SAR Grants By CECO
For The Year Ended December 31, 2001

Name	Number of Securities Underlying Options Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year (1)	Exercise or Base Price ($/SH) (3)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (2) 5% ($)	10% ($)
Jason Louis DeZwirek	25,000	41.7%	$2.01	Oct. 5, 2011	$31,602	$80,086
Richard J. Blum.....	25,000	41.7%	$2.01	Oct. 5, 2011	$31,602	$80,086

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(1) Based on options to purchase an aggregate of 60,000 shares granted to employees and officers during 2001.
(2) Potential realizable value is based on an assumption that the stock price appreciates at the annual rate shown (compounded annually) from the date of grant until the end of the ten-year option term. These numbers are calculated based on the requirements promulgated by the Securities and Exchange Commission ("SEC") and do not reflect our estimate of future stock price.
(3) Granted at fair market value on the date of issuance.

Aggregated Option/SAR On CECO
Exercises For The Year Ended December 31, 2001
And Option/SAR Values On CECO As Of December 31, 2001

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/01 Exercisable	Number of Securities Underlying Unexercised Options/SARs at 12/31/01 Unexercisable	Value of Unexercised In-The-Money Options/SARs at 12/31/01 Exercisable	Value of Unexercised In-The-Money Options/SARs at 12/31/01 Unexercisable
Phillip DeZwirek....	0	0	2,250,000	0	$2,412,250	N/A
Richard J. Blum.....	0	0	224,000	249,000	$ 81,200	$113,450
David D. Blum.....	0	0	167,500	167,500	$ 60,719	$ 60,719
Marshall J. Morris..	0	0	10,000	40,000	$ 8,000	$ 32,000
Jason Louis DeZwirek	0	0	0	25,000	N/A	$ 32,250

Board Compensation Report On Executive Compensation

The Board of Directors does not have a compensation committee. Richard J. Blum, Phillip DeZwirek and Jason Louis DeZwirek, all executive officers, have participated in deliberations of the Board of Directors concerning executive officer compensation.

Our employee compensation policy is to offer a package including a competitive salary, competitive benefits, and an efficient workplace environment. We also encourage broad-based employee ownership of CECO stock through our Stock Purchase Plan in which most employees are eligible to participate. Our officers may also participate in the Stock Purchase Plan.

The Company's compensation policy for officers is similar to that for other employees, and is designed to promote excellent performance and attainment of corporate and personal goals.

The Board of Directors (comprised of three executive officers and two non-employee directors) reviews and approves individual officer salaries and bonuses.

Officers of CECO are paid salaries in line with their responsibilities. These salaries are structured so they are comparable with salaries paid by

competitors in the relevant industries. Officers (and other employees) are

also eligible to receive stock option grants, which are intended to promote success by aligning employee financial interests with long-term shareholder value. Stock option grants are based on various subjective factors primarily relating to the responsibilities of the individual officers, and also to their expected future contributions and prior option grants.

The Board of Directors annually reviews and approves the compensation of Phillip DeZwirek, Chief Executive Officer and Chairman of the Board. His compensation is tied to revenues and profits, strategic goals, capital raising efforts, and his general performance. In addition, Mr. DeZwirek is a significant shareholder in CECO; to the extent his performance translates into an increase in the value of CECO's stock, all shareholders, including Mr. DeZwirek, share the benefit.

Employment Contracts

Richard J. Blum entered into an Employment Agreement dated December 7, 1999 with CECO Group. The Employment Agreement, which was recently extended for an additional year, has a term through December 7, 2005. Either party may terminate the Employment Agreement for cause. Mr. Richard Blum's base salary is set annually, at the Board's discretion, and is currently $228,400 per year. In addition to his base salary, Mr. Richard Blum is entitled to a bonus, depending upon whether CECO 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, which was recently extended for an additional year, has a term through December 7, 2005. Either party may terminate the Employment Agreement for cause. Mr. David Blum's base salary is set annually, at the Board's discretion, and is currently $170,750 per year. In addition to his base salary, Mr. David Blum is entitled to a bonus, depending upon whether CECO exceeds certain targets, and four weeks paid vacation.

Options

In consideration for Jason Louis DeZwirek's valuable service to CECO as an officer and director, CECO granted Mr. DeZwirek options on October 5, 2001 to purchase up to 25,000 shares of CECO's common stock, which are exercisable at any time between April 5, 2002 and October 5, 2011, inclusive, at a price of $2.01, the closing price of CECO's common stock on October 5, 2001. Such options are not transferable other than by will or the laws of descent.

Compensation Under CECO Stock Option Plan and Stock Purchase Plans

Stock Option Plan

Our Stock Option Plan was adopted by our board of directors on October 1, 1997 and approved by the shareholders on September 10, 1998. This plan provides for the grant of incentive stock options to our employees and nonstatutory stock options to our employees, consultants, advisors and directors. The number of shares of common stock reserved under the Stock Option Plan are 1,500,000. Of these shares, 182,500 shares were subject to outstanding options and 1,317,500 shares were available for future grant as of March 15, 2002. No options have been exercised as of March 15, 2002.

A committee of our board administers the stock plan and determines the terms of awards granted, including the exercise price, the number of shares subject to individual awards and the vesting period of awards. Directors Grivas and Wright currently serve on such committee. In the case of options intended to quality as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), the committee will consist of two or more "outside directors" within the meaning of Section 162(m) of the Code. The committee determines the exercise price of options granted under the Stock Option Plan, but with respect to nonstatutory stock options intended to qualify as "performance-based compensation"

within the meaning of Section 162(m) of the Code and all incentive stock options, the exercise price must at least be equal to the fair market value of our common stock on the date of grant. The term of an incentive stock option may not exceed ten years, except that with respect to any participant who owns 10% of the voting power of all classes of our outstanding capital stock, the term must not exceed five years and the exercise price must equal at least 110% of the fair market value on the grant date. The committee determines the term of all other options.

In the year 2001, options to purchase 35,000 shares of stock of CECO were granted under the Stock Option Plan.

On October 5, 2001, Richard J. Blum, in consideration for his valuable services as an executive officer and director was granted an option under the Stock Option Plan to purchase up to 25,000 shares of stock of CECO. The option becomes exercisable on April 5, 2002 and expires on October 5, 2011. The exercise price per share is $2.01, the closing price for CECO's common stock on the date of the grant. On October 5, 2001, Donald Wright, in consideration for his valuable services as a director of CECO, was granted an option under the Plan to purchase up to 10,000 shares of stock of CECO. The option becomes exercisable on April 5, 2002 and expires on October 5, 2011. The exercise price per share is $2.01, the closing price for CECO's common stock on the date of the grant.

Stock Purchase Plan

On September 21, 1999, the Board of Directors of CECO adopted the Stock Purchase Plan which was approved by the stockholders on November 16, 1999. Employees, other than certain part-time employees, are eligible to participate in the Stock Purchase Plan, which provides employees the opportunity to purchase stock of CECO at a discounted price. The maximum number of shares of common stock of CECO that will be offered under the Stock Purchase Plan is 1,000,000. Such shares will be offered in nine separate consecutive offerings, which commenced October 1, 1999, with the final offering terminating on September 30, 2004. The purchase price per share will be the lesser of 85% of the market price of the stock on the last business day of the offering period or 85% of the market price of the stock on the first day of the offering period. Payment for the stock under the Stock Purchase Plan is paid through employee payroll deductions. The Stock Purchase Plan is administered by CECO's board of directors, however, the board of directors may delegate its authority to a committee of the board or an officer of CECO. Directors Grivas and Wright currently administer the Stock Purchase Plan.

As of March 19, 2002, 47,948 shares of stock have been issued under the Stock Purchase Plan; 4,053 of which have been issued to Mr. Richard Blum, and 4,724 of which have been issued to Mr. David Blum in 2001. No other shares of stock under the Stock Purchase Plan have been issued to an executive officer or director of CECO.

Director Compensation

The directors of CECO received no consideration for serving in their capacity as directors of CECO or as members of any committee of the Board during its last fiscal year, other than Donald Wright, Richard J. Blum and Jason Louis DeZwirek who received options to purchase 10,000, 25,000 and 25,000 shares of common stock, respectively. Phillip DeZwirek, a director, receives compensation in his capacity as an executive officer.

Stock Performance Graph

The line graph below compares the annual percentage change in CECO's cumulative total shareholder return on its Common Stock with the cumulative total return of the Russell 2000 Stock Index (a broad-based market index consisting of small-cap stocks) and The Dow Jones Industry Group--Pollution Control (a "Peer Group Index") for the five-year period ending December 31, 2001. The graph and table assume $100 invested on December 31, 1996 in the Company's Common Stock, the Russell 2000 Stock Index and The Dow Jones Industry Group--Pollution Control and that all dividends were reinvested. The Dow Jones Industry Group--Pollution Control Index total return is weighted by market capitalization.

The Dow Jones Industry Group--Pollution Control reflects CECO's performance against pollution control businesses, the Company's principal industry group, and provides an appropriate indicator of cumulative total shareholder returns. There are 60 companies included in this industry group.

Based on an Initial Investment of $100 on
December 31, 1996, with Dividends Reinvested

Company Name/Index	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001
CECO ENVIRONMENTAL CORP.	100	153.13	150.00	125.00	68.75	165.00
RUSSELL 2000 INDEX	100	122.34	118.91	142.21	136.07	137.46
PEER GROUP INDEX	100	124.53	129.64	77.42	103.54	123.49

Item 12. 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 19, 2002, and the percent of the class so owned by each such person.

Name and Address of Beneficial Owner	No. of Shares of Common Stock Beneficially Owned	% of Total Common Shares Outstanding (1)
Phillip DeZwirek (2,3)..... Chief Executive Officer and Chairman of the Board 505 University Avenue Suite 1400 Toronto, Ontario M5G 1X3	4,508,557	38.0%
Jason Louis DeZwirek (2,4,5)..... Secretary 247 Erskine Avenue Toronto, Ontario M4P 1Z6	3,758,026	39.0%
Icarus Investment Corp. (2,6).... 505 University Avenue Suite 1400 Toronto, Ontario M5G 1X3	2,134,360	22.2%
IntroTech Investments, Inc. (4).. 247 Erskine Avenue Toronto, Ontario M4P 1Z6	1,598,666	16.6%
Can-Med Technology, Inc. (6)..... d/b/a Green Diamond Oil Corp. 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1X3	800,000	8.3%
Harvey Sandler (7)..... 17591 Lake Estates Drive Boca Raton, FL 33496	511,000	5.3%

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(1) Based upon 9,614,087 shares of common stock of CECO outstanding as of March 19, 2002. 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 19, 2002, 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 CECO 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) Includes (i) 750,000 shares of CECO's common stock that Phillip DeZwirek can purchase on or prior to November 7, 2006 from CECO at a price of $1.75 per share pursuant to warrants granted to Mr. DeZwirek by CECO 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 CECO's common stock that may be purchased pursuant to warrants granted September 14, 1998 at a price of $1.626 per share prior to September 14, 2008; (iv) 500,000 shares that may be purchased pursuant to warrants granted to Mr. DeZwirek by CECO 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 CECO August 14, 2000, which are exercisable prior to August 14, 2010 at a price of $2.0625 per share.

(4) IntroTech Investments, Inc. ("IntroTech") is owned 100% by Jason Louis DeZwirek. Ownership of the shares of common stock of CECO 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.

(5) Includes 25,000 shares of CECO's common stock that Jason Louis DeZwirek can purchase on or prior to October 5, 2011 at a price of $2.01 per share pursuant to options granted to Mr. DeZwirek on October 5, 2001.

(6) 50.1% of the shares of Green Diamond are owned by Icarus. Ownership of the shares of common stock of Green Diamond also are attributed to Icarus. Icarus has voting and dispositive power, with respect to such shares which is shared with the other shareholders of Green Diamond.

(7) Includes 20,000 shares held in the name of Phyllis Sandler, Mr. Sandler's spouse.

(b) Security Ownership of Management

As of March 19, 2002, 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	% Total Company Common Shares Outstanding (1)
Phillip DeZwirek(2) 505 University Avenue Suite 1400 Toronto, Ontario M5G 1P7	4,508,557	38%
Jason Louis DeZwirek(3) 247 Erskine Avenue Toronto, Ontario M4P 1Z6	3,758,026	39%
Richard J. Blum(4) 3120 Forrer Street Cincinnati, Ohio 45209	275,241	2.8%
David D. Blum(5) 3120 Forrer Street Cincinnati, Ohio 45202	179,136	1.8%
Josephine Grivas 505 University Avenue Suite 1400 Toronto, Ontario M5G 1P7	--	--
Donald A. Wright(6) 4538 Cass Street San Diego, California 92109	50,000	0.5%
Marshall J. Morris(7) 3120 Forrer Street Cincinnati, Ohio 45202	30,600	0.3%
Officers and Directors as a group (7 persons)	6,667,200	54.0%

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(1) See Note 1 to the foregoing table.

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

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

(4) Includes 224,000 shares of CECO'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/Technic to purchase 448,000 shares of common stock in CECO. This warrant became exercisable on December 7, 2000, with respect to 112,000 of such shares, on December 7, 2001, with respect to another 112,000 shares and becomes exercisable with respect to an additional 25% of such shares on each of the next two anniversaries of such date. Also includes 25,000 shares that may be purchased pursuant to Options granted to Mr. Blum October 5, 2001 at a price of $2.01 per share.

(5) Includes 167,500 shares of CECO'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/Technic to purchase 335,000 shares of stock in CECO. This

warrant became exercisable on December 7, 2000, with respect to 83,750 of such shares, on December 7, 2001 with respect to another 83,750 shares, and is exercisable with respect to an additional 25% of such shares on each of the next two anniversaries of such date.

(6) Includes (i) 10,000 shares of the CECO 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; (ii) 5,000 shares of CECO'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; and (iii) 10,000 shares that may be purchased pursuant to Options granted October 5, 2001 at a price of $2.01 per share.

(7) Includes 400 shares held in the name of Cynthia S. Morris, the spouse of Mr. Morris. Also includes 20,000 shares of common stock of CECO that may be purchased pursuant to options granted to Mr. Morris to purchase 50,000 shares of CECO's common stock on January 20, 2000. This option became exercisable on January 20, 2001, with respect to 10,000 of such shares, on January 20, 2002 with respect to another 10,000 shares, and becomes exercisable with respect to an additional 20% of the 50,000 shares on each of the next three anniversaries of such date. The exercise price of the options is $2.50 per share.

(c) Changes in Control

We are not aware of any current arrangement(s) that may result in a change in control of CECO. However, the Investors could potentially own up to 17.5% of CECO common stock if our EBITDA for fiscal year 2002 is significantly below $7,800,000 and assuming the exercise of their Warrants. We are required to issue to such Investors additional shares for every $100,000 our EBITDA is below $7,800,000 for a maximum of 826,802 additional shares. In such event, such group could significantly influence our business. However, we are not obligated to issue in excess of 1,772,576 shares to the Investors (including shares underlying the Warrants) in the aggregate unless shareholder approval is obtained. In the event our EBITDA is not below $7,800,000 for fiscal year 2002, the Investors would own 10.6% of CECO common stock assuming the exercise of their Warrants.

Item 13. Certain Relationships and Related Transactions

Since January 1, 2001, 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.

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 approximately $88,000 for 2001. The lease terminates July 31, 2002 and we will not be renewing the lease.

As a condition to obtaining the Bank Facility, CECO placed $5 million of subordinated debt. Green Diamond provided $4 million 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. Actual payment is subject to the subordination agreement with the banks providing the Bank Facility.

In consideration for the subordinated lenders making CECO the subordinated loans, CECO issued to the subordinated lenders warrants to purchase up to 1,000,000 shares of CECO's common stock for $2.25 per share, the closing price of CECO's common stock on the day that the subordinated lenders entered into an agreement with CECO to provide the subordinated loans. Green Diamond was issued 800,000 of such warrants. Green Diamond exercised the warrants on December 21, 2001 for all 800,000 shares.

During the fiscal year ended December 31, 2001, CECO reimbursed Can-Med Technology d/b/a Green Diamond Oil Corp. $5,000 per month for use of the space and other office expenses of CECO's Toronto office. Green Diamond is owned 50.1% by Icarus Investment Corp., which is controlled by Phillip DeZwirek, the Chief Executive Officer and Chairman of the Board of CECO, and Jason Louis DeZwirek, the Secretary of CECO.

During the fiscal year ended December 31, 2001, CECO advanced $337,000 to Green Diamond (see description above). Green Diamond repaid this advance in March 2002. CECO did not receive interest on these advances.

During the fiscal year ended December 31, 2001, CECO paid fees of $139,000 to Green Diamond for management consulting services. The services were provided by Phillip DeZwirek, the Chief Executive Officer and Chairman of the Board of CECO, through Green Diamond. Such amount also is included as compensation paid to Mr. DeZwirek under "Management".

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
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)
2.2	Certificate of Ownership and Merger Merging CECO Environmental Corp. into CECO Environmental Corp.
2.3	Certificate of Merger of CECO Environmental Corp. into CECO Environmental Corp. Under Section 907 of the Business Corporation Law.
3(i)	Certificate of Incorporation.
3(ii)	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 and Amendment. (Incorporated by reference from Form S-8, Exhibit 4, filed March 24, 2000, 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)
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-KSB 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-KSB 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-KSB 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)

Exhibit Number	Description
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)

Exhibit Number	Description
10.23	Credit Agreement, dated as of December 7, 1999, among PNC Bank, National Association, 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	kbd\Technic, Inc. Voting Trust Agreement, dated as of December 7, 1999, Richard J. Blum, trustee. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)
10.29	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. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.31	Second Amendment to Credit Agreement dated November 19, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.32	Stock Option Agreement for Donald A. Wright dated September 18, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.33	Warrant Agreement dated as of August 14, 2000 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.34	Incentive Stock Option Agreement for Marshall J. Morris dated as of January 20, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.35	Separation Agreement and General Release between Steven I. Taub and the Company. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.36	Stock Sale Agreement between the Company and Steven I. Taub dated July 5, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.37	Stock Sale Agreement between the Company and Hilary Taub dated July 5, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.38	Amended and Restated Replacement Promissory Note in the amount of $4,000,000, dated as of May 1, 2001, made by CECO Environmental Corp. and payable to Taurus Capital Markets Ltd.

Exhibit Number	Description
10.39	Amended and Restated Replacement Promissory Note in the amount of $500,000, dated as of May 1, 2001, made by CECO Environmental Corp. and payable to Harvey Sandler.
10.40	Amended and Restated Replacement Promissory Note in the amount of $500,000, dated as of May 1, 2001, made by CECO Environmental Corp. and payable to Taurus Capital Markets Ltd.
10.41	Third Amendment to Credit Agreement dated March 30, 2001. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)
10.42	Fourth Amendment to Credit Agreement dated August 20, 2001.
10.43	Fifth Amendment to Credit Agreement dated March 27, 2002.
10.44	Option for the Purchase of Shares of Common Stock of Jason Louis DeZwirek dated October 5, 2001.
10.45	Asset Purchase Agreement between Belfiber, Co. and Air Purator Corporation dated December 31, 2001.
10.46	Subscription Agreement dated December 31, 2001. (Incorporated by reference from the Company's Form 8-K filed January 15, 2002)
10.47	Form of Warrant (for Investors). (Incorporated by reference from the Company's Form 8-K filed January 15, 2002)
10.48	Form of Warrant (for Finders).
21	Subsidiaries of the Company.
23.1	Consent of Margolis & Company, P.C., Certified Public Accountants.

(b) Financial Statements and Schedules

The financial statements are set forth in this Report following the signature page of this Report.

(c) Reports on Form 8-K

The Company did not file a report on Form 8-K during the fiscal quarter ended December 31, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CECO ENVIRONMENTAL CORP.

By: /S/ PHILLIP DEZWIREK

Phillip DeZwirek
Chief Executive Officer
Dated: March 27, 2002

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

Signature	Title	Date
/S/ PHILLIP DEZWIREK Phillip DeZwirek	Principal Executive Officer, Chairman of the Board, Director and Chief Executive Officer	March 27, 2002
/S/ MARSHALL J. MORRIS Marshall J. Morris	Principal Financial and Accounting Officer, Vice President-Finance and Administration, Chief Financial Officer	March 27, 2002
/S/ RICHARD J. BLUM Richard J. Blum	President, Director	March 27, 2002
/S/ JASON LOUIS DEZWIREK Jason Louis DeZwirek	Secretary, Director	March 27, 2002
/S/ JOSEPHINE GRIVAS Josephine Grivas	Director	March 27, 2002
/S/ DONALD WRIGHT Donald Wright	Director	March 27, 2002

CECO ENVIRONMENTAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
CECO Environmental Corp.

We have audited the accompanying consolidated balance sheets of CECO Environmental Corp. and subsidiaries (the "Company") as of December 31, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
March 27, 2002

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated statement of operations, shareholders' equity, and cash flows of CECO Environmental Corp. and subsidiaries for the year ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of 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, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of CECO Environmental Corp. and subsidiaries for the year ended December 31, 1999 in conformity with accounting principles generally accepted in the United States of America.

/s/ MARGOLIS & COMPANY P.C.
Certified Public Accountants

Bala Cynwyd, PA
March 27, 2002

CECO ENVIRONMENTAL CORP.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2001	2000
	Dollars in thousands except share data	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 53	$ 664
Marketable securities--trading	--	1,002
Accounts receivable, net	17,000	17,372
Costs and estimated earnings in excess of billings on uncompleted contracts	5,572	5,099
Inventories	2,157	2,373
Prepaid expenses and other current assets	1,805	939
Total current assets	26,587	27,449
Property and equipment, net	13,136	13,587
Goodwill, net	8,135	8,479
Other intangible assets, net	3,859	4,149
Deferred charges and other assets	1,313	1,290
	$53,030	$54,954
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 2,826	$ 3,776
Accounts payable and accrued expenses	13,103	11,808
Billings in excess of costs and estimated earnings on uncompleted contracts	2,595	1,175
Total current liabilities	18,524	16,759
Other liabilities	2,032	764
Debt, less current portion	14,838	22,640
Deferred income tax liability	4,065	4,322
Subordinated notes (see note 12, related party--$3,000 and $2,769, respectively)	3,750	3,461
Total liabilities	43,209	47,946
Commitments and contingencies (Note 15)		
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized, none issued	--	--
Common stock, $.01 par value; 100,000,000 shares authorized, 10,378,007 and 8,639,792 shares issued in 2001 and 2000, respectively	104	86
Capital in excess of par value	16,304	12,592
Accumulated deficit	(4,214)	(3,950)
Accumulated other comprehensive loss	(687)	(34)
	11,507	8,694
Less treasury stock, at cost, 763,920 shares in 2001 and 2000	(1,686)	(1,686)
Total shareholders' equity	9,821	7,008
	$ 53,030	$54,954

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2001	2000	1999
	Dollars in thousands, except per share dat		
Net sales	$ 90,994	$ 89,817	$ 22,414
Costs and expenses:			
Cost of sales, exclusive of items shown separately below	72,462	71,720	14,027
Selling and administrative	13,207	13,933	7,216
Depreciation and amortization	2,320	2,154	729
	87,989	87,807	21,972
Income from continuing operations before investment income and interest expense	3,005	2,010	442
Investment income	396	765	498
Interest expense (including related party interest of $710, $712 and $670, respectively)	(3,542)	(3,807)	(1,221)
Loss from continuing operations before income taxes and minority interest	(141)	(1,032)	(281)
Income tax provision (benefit)	131	(303)	152
Loss from continuing operations before minority interest	(272)	(729)	(433)
Minority interest in (income) loss of consolidated subsidiary	8	39	(1)
Loss from continuing operations	(264)	(690)	(434)
Discontinued operations:			
Loss from operations, net of $134 tax benefit	--	--	(378)
Loss on disposal, net of $46 tax benefit	--	--	(131)
Loss from discontinued operations	--	--	(509)
Net loss	$ (264)	$ (690)	$ (943)
Basic net loss per share:			
Loss from continuing operations	$ (.03)	$ (.08)	$ (.05)
Net loss per share	$ (.03)	$ (.08)	$ (.11)
Diluted net loss per share:			
Loss from continuing operations	$ (.03)	$ (.08)	$ (.05)
Net loss per share	$ (.03)	$ (.08)	$ (.11)
Weighted average number of common shares outstanding:			
Basic and diluted	7,899,092	8,195,140	8,485,471

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Total Comprehensive Loss
				Dollars in thousands			
Balance, December 31, 1998.....	$ 86	$10,137	$(2,317)		$ (349)	$ 7,557	
Net loss for the year ended December 31, 1999.....			(943)			(943)	$(943)
Stock warrants issued.....		2,424				2,424	
Balance, December 31, 1999.....	86	12,561	(3,260)		(349)	9,038	$(943)
							=====
Net loss for the year ended December 31, 2000.....			(690)			(690)	$(690)
Issuance of common stock.....		31				31	
Treasury stock purchases.....					(1,337)	(1,337)	
Other comprehensive loss: Minimum pension liability, net of tax $23.....				$ (34)		(34)	(34)
Balance, December 31, 2000.....	86	12,592	(3,950)	(34)	(1,686)	7,008	$(724)
							=====
Cumulative effect of change in accounting principle-adoption of SFAS No. 133, net of tax $140				(209)		(209)	$(209)
Net loss for the year ended December 31, 2001.....			(264)			(264)	(264)
Exercise of warrants.....	10	2,240				2,250	
Issuance of common stock.....	8	1,132				1,140	
Contingent stock warrants issued..		340				340	
Other comprehensive loss: Minimum pension liability, net of tax $275.....				(413)		(413)	(413)
Change in fair value of swap, net of tax $20.....				(31)		(31)	(31)
Balance, December 31, 2001.....	$104	$16,304	$(4,214)	$(687)	$(1,686)	$ 9,821	$(917)
	====	=======	=======	=====	=======	=======	=====

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2001	2000	1999
	Dollars in thousands		
Cash flows from operating activities:			
Net loss	$ (264)	$ (690)	$ (943)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Loss from discontinued operations	--	--	509
Depreciation and amortization	2,320	2,154	729
Deferred income taxes	(103)	(609)	(44)
Minority interest	(8)	(39)	1
Gain on sale of marketable securities, trading	(388)	(632)	(96)
Changes in operating assets and liabilities, net of acquired businesses:			
Marketable securities--trading	1,390	2,320	(1,899)
Accounts receivable	372	(168)	(808)
Costs and estimated earnings in excess of billings on uncompleted contracts	(473)	(2,147)	(458)
Inventories	216	(200)	1,569
Prepaid expenses and other current assets	(767)	(122)	90
Deferred charges and other assets	(440)	(17)	(142)
Accounts payable and accrued expenses	1,303	2,122	1,532
Other liabilities	(285)	--	--
Billings in excess of costs and estimated earnings on uncompleted contracts	1,420	715	(1,197)
Discontinued operations	--	--	113
Other	89	(57)	198
Net cash provided by (used in) operating activities	4,382	2,630	(846)
Cash flows from investing activities:			
Acquisitions of property and equipment and intangible assets	(793)	(560)	(440)
Acquisitions of businesses, net of cash acquired	--	--	(25,488)
Cash received from purchase price adjustment	--	254	--
Net cash used in investing activities	(793)	(306)	(25,928)
Cash flows from financing activities:			
Net borrowings (repayments) on revolving credit line	(800)	1,300	2,473
Proceeds from issuance of stock and detachable warrants	4,377	31	--
Proceeds from issuance of debt	--	--	29,013
Repayments of debt	(7,952)	(2,789)	(6,715)
Proceeds from borrowing against cash surrender value of life insurance	175	--	2,773
Purchases of treasury stock	--	(1,337)	--
Net cash provided by (used in) financing activities	(4,200)	(2,795)	27,544
Net increase (decrease) in cash and cash equivalents	(611)	(471)	770
Cash and cash equivalents at beginning of year	664	1,135	365
Cash and cash equivalents at end of year	$ 53	$ 664	$ 1,135

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

CECO ENVIRONMENTAL CORP.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:			
Interest	$2,693	$2,870	$305
Income taxes	$ 673	$ 254	$504

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

(Dollars in thousands, except per share amounts)

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 of the Company include the accounts of the following subsidiaries:

	% Owned As Of December 31, 2001
CECO Group, Inc. ("Group").....	100%
CECO Filters, Inc. and Subsidiaries ("CFI")..	94%
The Kirk & Blum Manufacturing Company ("K&B")	100%
kbd/Technic, Inc.....	100%
CECO Abatement Systems, Inc.....	100%

CFI includes two wholly-owned subsidiaries, New Busch Co., Inc. ("Busch"), and Air Purator Corporation ("APC") through its date of sale on December 31, 2001 (see Note 2).

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 of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents--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 were $355.

Inventories--The labor content of work-in-process and finished products and all inventories of steel of K&B (approximately 71% and 63% of total inventories at December 31, 2001 and 2000, 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, 2001 and 2000.

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 the straight-line and accelerated methods over the estimated useful lives of the assets, which range from 12 to 40 years for building and improvements and 3 to 10 years for machinery and equipment.

Intangible assets--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 17 years.

Deferred charges--Deferred charges primarily represent deferred financing costs, which are amortized over the life of the related loan. Amortization expense was $220, $231 and $55 for 2001, 2000 and 1999, respectively.

Financial Instruments--On January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". 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. The Company recognized a transition obligation of $209, net of tax of $140, in other comprehensive loss in the first quarter ended March 31, 2001 from the adoption of SFAS 133.

The Company is exposed to market risk from changes in interest rates. The Company's policy is to manage interest rate costs using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, 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.

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. At December 31, 2001 and 2000, the Company provided for estimated losses on uncompleted contracts of $108 and $602, respectively.

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

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

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 $109, $188 and $87 in 2001, 2000 and 1999, respectively.

Research and development--Research and development costs are charged to expense as incurred. The amounts charged to operations were $104, $140 and $33 in 2001, 2000 and 1999, respectively.

Earnings per share--For the years ended December 31, 2001, 2000 and 1999, both basic weighted average common shares outstanding and diluted weighted average common shares outstanding were 7,899,092, 8,195,140 and 8,485,471, respectively. The Company considers outstanding options and warrants in computing diluted net loss per share only when they are dilutive. Options and warrants to purchase 3,488,500, 3,929,400 and 6,228,120 shares for the years ended December 31, 2001, 2000 and 1999, respectively, were not included in the computation of diluted earnings per share due to their having an anti-dilutive effect. There were no adjustments to net loss for the basic or diluted earnings per share computations.

Stock-based compensation--The Company has adopted the disclosure-only provisions of 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 2001, 2000 or 1999 related to its stock option plans.

Recent accounting pronouncements--In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that all business combinations be accounted for under the purchase method only and that certain acquired intangible assets in a business combination be recognized as assets apart from goodwill. SFAS No. 142 requires that ratable amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill should be amortized over their useful lives. Implementation of SFAS No. 141 and SFAS No. 142 is required for fiscal 2002.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," requiring that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which superceded SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". The primary difference is that goodwill has been removed from the scope of SFAS No. 144. It also broadens the presentation of discontinued operations to include a component of an entity rather than a segment of a business. A component of an entity comprises operations and cash flows that can clearly be distinguished operationally and for financial accounting purposes from the rest of the entity. Implementation of SFAS No. 143 is required for fiscal 2003 and SFAS No. 144 is required for fiscal 2002.

The Company has not completed the process of evaluating the impact that will result from adopting these statements. The Company is therefore, unable to disclose the impact, if any, that adopting these statements will have on its financial position and results of operations when such statements are adopted.

2. Acquisition and Divestitures 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 plus the assumption of $5,000 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 fair value, resulting in goodwill of $4,020. During the second quarter of 2000, the Company received $254 as a post-closing price adjustment related to this acquisition.

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
Loss from continuing operations before taxes on income and minority interest	(275)
Net loss	(939)
Basic and diluted net loss per share	(.11)

The increase in total revenues of $65,547 represents the inclusion of K&B and kbd/Technic, Inc. prior to the acquisition date. The reduction in loss from continuing operations before taxes on income and minority interest includes pre-acquisition results of operations from K&B and kbd/Technic, Inc. of $2,594 less additional interest expense of $2,588, 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. As a result the Company owns approximately 94% of CFI's common stock.

Effective December 31, 2001, the Company sold the fixed assets and inventory of APC and received notes totaling $475. The notes, $375 due in March 2002 and $100 due in monthly installments through September 2003 beginning in April 2002, are secured by the assets of APC. The Company deferred the gain of $250 on the sale of the assets until a substantial portion of the notes are collected, or collection of such notes is reasonably assured. At December 31, 2001, the current portion of the notes, $425, is recorded in prepaid expenses and other current assets in the consolidated balance sheets net of the $250 deferred gain. The $50 non-current portion is included in deferred charges and other assets. The sales agreement also provides for additional consideration contingent upon the future operations of APC, which has not been considered in the computation of the deferred gain. In addition, the sales agreement provides for a $75 line of credit from the Company to temporarily fund operations. The line was due March 2002, and is secured by a personal guaranty from the purchaser's President. There were no amounts drawn against the line at December 31, 2001. The purchaser failed to repay the notes in full at maturity and the Company is in the process of negotiating extended payment terms for the notes. The aggregate principal outstanding on all of the notes is approximately $475,000. The net assets and operations of APC were not material to the consolidated Company.

The Company intends to divest Busch Martec's assets since this division of Busch International no longer serves our vision for our future operations. Its assets are insignificant to the consolidated financial statements.

3. Discontinued Operations

On March 31, 1999, the Company sold the contracts and customer list of U.S. Facilities Management, Inc. ("USFM") for $250. The sales price was paid through a non-interest bearing promissory note from the purchaser. Monthly principal payments were to commence October 1, 1999 with a balloon payment for the balance due on April 1, 2007. At December 31, 2001, 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	$ 388
Cost of revenues	(494)
Operating Expenses	(431)
Loss from operations of discontinued operation	(537)
Impairment of goodwill	(167)
Disposition costs	(19)
Loss from disposal of discontinued operation	(186)
Income tax benefit	180
Minority interest	34
Net loss	$(509)

At December 31, 1999, basic and diluted net loss per common share related to the disposal of USFM was $0.06 of which $0.05 related to the loss from continuing operations and $0.01 related to the loss on disposal.

4. Financial Instruments

The Company's financial instruments consist primarily of investments in cash and cash equivalents, marketable securities, receivables and certain other assets as well as obligations under accounts payable, long-term debt and subordinated notes. The carrying values of these financial instruments approximate fair value at December 31, 2001 and 2000 except for subordinated notes at December 31, 2001 which fair value was $4,100.

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

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 has entered into an interest rate swap agreement to convert variable rate debt to a fixed rate (see Note 11). The fair value of the swap at December 31, 2001 which was determined using discounted cash

flow analysis based on current rates offered for similar issues of debt, is a liability of approximately $400 and is recorded in other liabilities and accumulated other comprehensive loss, net of tax, in the accompanying consolidated balance sheets and consolidated statements of shareholder' equity, respectively.

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

	2001	2000
Trade receivables	$ 2,195	$ 3,662
Contract receivables	15,183	14,035
Allowance for doubtful accounts	(378)	(325)
	$17,000	$17,372

Balances billed, but not paid by customers under retainage provisions in contracts, amounted to approximately $1,300 and $515 at December 31, 2001 and 2000, respectively. Receivables on contracts in progress are generally collected within twelve months.

Provision for doubtful accounts was approximately $154, $311 and $258 during 2001, 2000 and 1999, respectively.

6. Costs and Estimated Earnings on Uncompleted Contracts

	2001	2000
Costs incurred on uncompleted contracts	$ 19,163	$ 12,933
Estimated earnings	2,131	2,581
	21,294	15,514
Less billings to date	(18,317)	(11,590)
	$ 2,977	$ 3,924
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 5,572	$ 5,099
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,595)	(1,175)
	$ 2,977	$ 3,924

7. Inventories

	2001	2000
Raw material and subassemblies	$1,279	$1,450
Finished goods	156	734
Parts for resale	722	189
	$2,157	$2,373

8. Property and Equipment

	2001	2000
Land	$ 1,597	$ 1,597
Building and improvements	5,636	5,747
Machinery and equipment	10,151	9,712
	17,384	17,056
Less accumulated depreciation	(4,248)	(3,469)
	$13,136	$13,587

Depreciation expense was $1,242, $1,181 and $317 for 2001, 2000 and 1999, respectively.

9. Goodwill and Other Intangible Assets

	2001	2000
Goodwill	$ 9,456	$ 9,456
Less accumulated amortization	(1,321)	(977)
	$ 8,135	$ 8,479
Non-compete agreements	$ 900	$ 700
Patents	1,346	1,346
Trade name and workforce	3,150	3,150
	5,396	5,196
Less accumulated amortization	(1,537)	(1,047)
	$ 3,859	$ 4,149

Amortization expense was $834, $771 and $357 for 2001, 2000 and 1999, respectively.

10. Accounts Payable and Accrued Expenses

	2001	2000
Trade accounts payable	$ 7,400	$ 7,003
Compensation and related benefits	1,286	1,491
Accrued interest	992	640
Other accrued expenses	3,425	2,674

$13,103	$11,808

11. Debt

	2001	2000
Bank credit facility	$17,500	$26,223
Pennsylvania Industrial Development Authority	164	193
	17,664	26,416
Less current portion	(2,826)	(3,776)
	$14,838	$22,640

In December 1999, the Company obtained a bank credit facility aggregating $33,000 consisting of $23,000 in term loans and a $10,000 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.

At December 31, 2001, the revolving credit line, as amended, permits borrowings of up to the lesser of 1) $8,000 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 revolving credit facility were $3,827 and $5,027 at December 31, 2001 and 2000, respectively. Amounts borrowed were $4,173 and $4,973 at December 31, 2001 and December 31, 2000, respectively. There were no amounts outstanding under letters of credit at December 31, 2001 and 2000. The line of credit matures in 2003. The weighted average interest rates were 6.90% and 10.02% at December 31, 2001 and 2000, respectively.

The term loans consist of a $14,500 and an $8,500 term facility with quarterly principal installments on the $14,500 facility of $438 commencing February 28, 2000, increasing to $700 in 2002, $875 in 2003 and $1,175 in 2004 with the final payment due November 2004; and payments against the $8,500 facility of $1,375 in February 2005 and $952 in May 2005. The amount borrowed under the term loans was $13,327 and $21,250 at December 31, 2001 and 2000, respectively. The weighted average interest rates were 6.5% and 9.9% at December 31, 2001 and 2000, respectively. In connection with issuance of common stock and the exercise of warrants discussed in Note 13, $4,000 of the $8,500 term facility were prepaid.

In March 2002, the credit facility as discussed above was amended effective December 31, 2001, reducing minimum coverage under several financial covenants as of December 31, 2001. The Company would not have been in compliance with the financial covenants had the amendment not been made. The credit facility was also amended in August 2001 and effective June 30, 2001, by reducing the minimum coverage under several financial covenants as of June 30, 2001 and September 30, 2001, raising interest rates by 1%, reducing the amount available under the revolving line of credit to $8,000 and changing the maturity of the revolving line of credit to April 2003 from December 2004. In consideration of this amendment, additional fees were paid to the bank group. The Company would not have been in compliance with the financial covenants had the amendment not been made.

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 $9,000. Additionally, the Company was required to make additional prepayments against the term loans of $500 by June 30, 2001 and September 30, 2001 and $1,000 by December 31, 2001. In consideration for this amendment, additional fees were paid to the bank group. The Company agreed to pledge its Peerless Manufacturing Company common stock

as additional collateral and proceeds from the sale thereof were 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.

Funds used to purchase the Peerless common stock were obtained with debt financing from Green Diamond Oil Corp. at an annual rate of 10%. Such debt was paid during 2000. In connection with this financing, 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.

During 2001, the Company had in place a four year interest rate swap agreement ("Swap Agreement") to manage its variable interest rate exposure maturing in 2002. Under the terms of the Swap Agreement, the Company exchanges at specified intervals, the difference between fixed and variable interest amounts based on a notional principal amount of $9,750 and $10,625 at December 31, 2001 and 2000, respectively. The Swap Agreement effectively fixes the interest rate on $9,750 of the debt under the credit facility at 6.96% plus the applicable spread for the duration of the interest rate swap. The difference between the amount of interest to be paid and the amount of interest to be received under the Swap Agreement due to changing interest rates is charged or credited to interest expense over the life of the agreement. As of December 31, 2001, $11,000 in debt was outstanding under the credit facility, of which interest on $9,750 is essentially fixed by the Swap Agreement. The Swap Agreement expires in November 2002.

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

December 31,	Maturities
2002....	$2,826
2003....	7,699
2004....	4,726
2005....	2,353
2006....	60

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

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 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 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 and amendments to the Bank Credit Facility. In connection with this agreement, accrued interest on the subordinated notes totaling $963 and $360 at December 31, 2001 and 2000, respectively,

was not paid. 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 at the date of issuance and the subordinated debt was discounted by such amount. The discount is being amortized as a component of interest expense over the life of the subordination which coincides with the bank's term loan maturity date of May 2006. The amortization of the discount was approximately $288, $288 and $20 for the years ended December 31, 2001, 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 May 2001, subordinated debt notes were amended revoking a March amendment that had granted 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 $2.00 per share which was fair market value at the time of the amendment.

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.

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

	2001		2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year....	154,400	$2.89	268,120	$4.56	312,320	$4.46
Granted.....	35,000	2.01	130,000	2.56	--	--
Forfeited.....	(6,900)	3.88	(243,720)	4.55	(44,200)	3.88
Outstanding, end of year.....	182,500	2.68	154,400	2.89	268,120	4.56
Options exercisable at year end...	53,000		23,640		86,190	
Available for grant at end of year	1,317,500		1,345,600		1,231,880	

For the years ended December 31, 2001, 2000 and 1999, no compensation expense was recognized under stock-based employee compensation plans.

The range of exercise prices on shares outstanding as of December 31, 2001 was as follows:

	Outstanding			Exerciserable	
Range of Exercise Prices	Shares	Exercise Price	Remaining Contractual Life in Years	Shares	Weighted Average Exercise Price
$2.01 - 2.63..	150,000	$2.42	8 - 10	27,000	$2.47
$3.88.....	32,500	$3.88	6	26,000	$3.88

The following table compares 2001, 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:

	2001	2000	1999
Net loss			
As reported	$ (264)	$ (690)	$ (943)
Pro forma under SFAS No. 123.	(1,039)	(1,191)	(2,108)
Basic and diluted loss per share			
As reported	(0.03)	(0.08)	(0.11)
Pro forma under SFAS No.123..	(0.13)	(0.15)	(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 2001, 2000 and 1999 is 10 years. The risk free interest rate applicable for 2001 is 4.5% and 6.5% in 2000 and 1999. The expected volatility of the Company's stock used in 2001, 2000 and 1999 was .70, .75 and .75, respectively. The expected dividend yield used in 2001, 2000 and 1999 is 0%.

The weighted average fair values at the date of grant for options and warrants granted during 2001, 2000 and 1999 were $2.01, $1.79 and $2.45, respectively.

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

Employee Stock Purchase Plan

The Company maintains 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 first business day or the last business day of the offering period. The aggregate number of whole shares of common stock allowed to be purchased under the option cannot exceed 10% of the employee's base compensation. There were 250,000 shares made available for purchase under the plan. During 2001 and 2000, the company issued 31,500 and 16,401 shares, respectively, under this plan at amounts that approximated fair value. No shares were issued under the plan during 1999.

Warrants to Purchase Common Stock

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

On December 31, 2001, the Company issued 706,668 shares of common stock at a price of $3.00 per share, and issued detachable stock warrants to purchase 353,334 shares of common stock at an initial exercise price of

$3.60 per share to a group of accredited investors ("the investors"). Gross proceeds of $2,120 were received from the issuance of these shares and were used to pay down the bank credit facility. The right to purchase shares under the warrants vest immediately upon the issuance of the warrants, and the warrants contain various features to protect the investors in the event of a merger or consolidation and from dilution in the event of a stock issuance at prices below the exercise price. The warrants also require the Company to pay the investors a fee for each full or partial month that the Company fails to use its best efforts to prepare and file with the SEC a registration statement within 90 days of the issuance of such warrants and cause the registration statement to become effective within 150 days of the issuance. Management of the Company valued these warrants at $240 which is included in other liabilities in the accompanying consolidated financial statements.

In connection with this transaction, the Company has an obligation to issue additional shares (based on a formula) to the investors if the Company's earnings before interest, taxes, depreciation and amortization ("EBITDA"), as defined, is less than $7,800 for the fiscal year ending December 31, 2002, at no additional cost to the investors. However, the Company is not obligated to issue in excess of 1,772,576 shares in the aggregate unless shareholder approval is obtained. Management of the Company valued these EBITDA shares at $442, which is included as contingent stock warrants in the accompanying consolidated financial statements.

In connection with the issuance of the common shares and warrants to the investors, the Company estimated $440 of issuance costs and issued warrants to purchase 14,000 shares of common stock at an initial exercise price of $3.00. These costs were accrued at December 31, 2001. The fair value of the warrants, valued by management of the Company at $18, has been included as issuance costs and recorded as a liability in other liabilities in the accompanying consolidated financial statements. The total issuance costs including the fair value of the warrants to purchase 14,000 shares of common stock were allocated to common stock, detachable stock warrants and contingent stock warrants based on their respective fair market values.

Former K&B Shareholders

In December 1999, as part of their employment contracts, warrants were granted to three of the former owners of K&B to purchase a total of 1,000,000 shares of 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.

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

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

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 $2.00 per share for the first 250,000 shares and $3.00 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 $2.00 per share for the first 450,000 shares and $3.00 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

Stock options granted during the years ended December 31, 2001 and 2000 summarized in the Stock Option Plan disclosures within this Note 13 is as follows:

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 (fair market value at the date of grant). 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 (fair market value at the date of grant). 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 (fair market value at the date of grant). The options became exercisable on March 18, 2001 and extend through September 18, 2010.

In October 2001, the Company granted options to a member of the Board of Directors and a key employee to purchase 10,000 and 25,000 shares, respectively, at $2.01 per share (fair market value at date of grant). The options become exercisable in April 2002 and extend through October 2011.

In October 2001, the Company granted to a member of the Board of Directors and Secretary of the Company, unregistered options to purchase up to 25,000 common shares, which are exercisable between April 2002 and October 2011 at a price of $2.01 (fair market value at date of grant), the closing price of CECO's common stock on date of issuance.

Treasury Stock

During 2000, the Company purchased 566,000 shares of its common stock as treasury shares at a total cost of $1,200 from the former president of CFI and his family in connection with his resignation that was effective June 30, 2000. Also in 2000, 60,000 shares of common stock were acquired for treasury at a total cost of $134.

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 retiring before January 1, 1990. The plan allows retirees who have attained the age of 65 to elect the type of coverage desired.

	Pension Benefits		Other Benefits	
	2001	2000	2001	2000
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 3,744	$3,744	$ 650	$ 730
Service cost	121	104	--	--
Interest cost	252	253	43	45
Actuarial gain/loss	(56)	(103)	17	(27)
Amendments	--	--	--	--
Benefits paid	(176)	(254)	(91)	(98)
Projected benefit obligation at end of year	3,885	3,744	619	650
Change in plan assets:				
Fair value of plan assets at beginning of year	3,293	3,700	--	--
Actual loss on plan assets	(383)	(153)	--	--
Employees contribution	--	--	91	98
Benefits paid	(176)	(254)	(91)	(98)
Fair value of plan assets at end of year	2,734	3,293	--	--
Funded status	(1,151)	(451)	(619)	(650)
Unrecognized prior service cost	58	64	--	--
Unrecognized net actuarial loss (gain)	1,008	409	(10)	(27)
Prepaid (accrued) benefit cost	$ (85)	$ 22	$(629)	$(677)
Amounts recognized in the consolidated balance sheets consist of:				
Prepaid/(accrued) benefit cost	$ (85)	$ 22	$ --	$ --
Accrued benefit liability	(746)	(121)	(629)	(677)
Intangible asset included in deferred charges and other assets	58	64	--	--
Accumulated other comprehensive income, net	688	57	--	--
Net amount recognized	$ (85)	$ 22	$(629)	$(677)
Weighted-average assumptions at December 31:				
Discount rate	7.0%	7.0%	7.0%	7.0%
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.

The details of net periodic benefit cost for pension benefits included in the accompanying consolidated statements of operations for the years ended December 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
Service cost	$ 121	$ 104	$ 109
Interest cost	252	253	249
Expected return on plan assets	(272)	(308)	(245)
Net amortization and deferral.	6	(30)	(18)
Net periodic benefit cost	$ 107	$ 19	$ 95

The net periodic benefit cost (representing interest cost only) for the post-retirement plan included in the accompanying consolidated statements of operations was $43, $45 and $51 for the years ended December 31, 2001, 2000 and 1999, respectively.

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 K&B's 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 consolidated financial statements.

Amounts charged to pension expense under the above plans including the multi-employer plans totaled $2,644, $2,262 and $107 for 2001, 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 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 deferrals of up to 15%. K&B provides matching contributions of 25% of the first 5% of employee contributions. The Company made matching contributions and discretionary contributions of $203, $386 and $31 during 2001, 2000 and 1999, respectively.

CFI has a 401(k) Savings and Retirement Plan which covers substantially all of CFI's employees. Under the terms of the Plan, employees can contribute between 1% and 22% of their annual compensation to the Plan. CFI matches 50% of the first 6%. Plan expense for the years ended December 31, 2001, 2000 and 1999 was $47, $63 and $72, respectively.

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:

December 31,	Commitment
2002	$567
2003	363
2004	262
2005	193
2006	80

The Company leases a facility from a related party, the former President and chief operating officer of Busch who is the beneficial owner of the property, with an annual base rental of $88 expiring July, 2002.

Total rent expense under all operating leases for 2001, 2000 and 1999 was $470, $382 and $340, 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 paid at the closing date, the agreement requires annual payments of $200 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 in 2002 of $450 for consulting services for a two-year period. This payment is being accrued over the term of service.

Employment Agreements

In December 1999, Group and K&B entered into five-year employment agreements with three of the former owners of K&B. In 2001, these agreements were amended by extending the term one additional year. The agreements provide for 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 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 years ended December 31:

	2001	2000	1999
Current:			
Federal.	$ 67	$ 216	$128
State...	(39)	67	68
	28	283	196
Deferred:			
Federal.	106	(449)	(10)
State...	(3)	(137)	(34)
	103	(586)	(44)
	$131	$(303)	$152

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

	2001	2000	1999
Tax benefit at statutory rate	$(48)	$(351)	$(95)
Increase (decrease) in tax resulting from:			
State income tax, net of federal benefit	(28)	(46)	22
Permanent differences, principally goodwill and interest	157	94	255
Over/under accrual of prior years' taxes	50	(0)	18
Other	(0)	(0)	(48)
	$131	$(303)	$152

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:

	2001	2000
Current deferred tax assets (liabilities) attributable to:		
Accrued expenses	$ 746	$ 609
Deferred state taxes	292	290
Reserves on assets	167	224
Inventory	(925)	(942)
Current deferred tax asset (included in prepaid expenses and other current assets in the consolidated balance sheets)	280	181
Noncurrent deferred tax assets (liabilities) attributable to:		
Depreciation	(3,856)	(3,913)
Goodwill and intangibles	(1,262)	(1,336)
Other liabilities	268	619
Non-compete agreement	280	222
Minimum pension liability	275	--
Foreign interest accrual	--	155
Federal and State net operating loss carry forwards	143	84
Interest rate swap	183	--
AMT credit carry forward	111	--
Other	(207)	(153)
Net noncurrent deferred income tax liability	(4,065)	(4,322)
Net deferred tax liability	$(3,785)	$(4,141)

The Company has Federal net operating loss carry forwards of $202 at December 31, 2001 to be utilized in future years, which begin to expire in 2019. Additionally, the Company has State net operating loss carry forwards of $2,971 and $3,644 at December 31, 2001 and 2000, respectively, which begin to expire in 2001.

The Company files a consolidated Federal income tax return.

17. Related Party Transactions

During 2001, the Company reimbursed Green Diamond Oil Corp. $5 per month for use of the space and other office expenses of the Company's Toronto office. In 2001, 2000 and 1999, reimbursement were $60, $36 and $36, respectively. During 2001, the Company paid fees of $139 to Green Diamond for management consulting services. These services were provided by Phillip DeZwirek, the Chief Executive Officer and Chairman of the Board of the Company, through Green Diamond. During 2001, the Company advanced $337 to Green Diamond, which was repaid in March 2002.

18. Backlog of Uncompleted Contracts from Continuing Operations

The Company's backlog of uncompleted contracts from continuing operations was $18,628 and $12,119, at December 31, 2001 and 2000, respectively.

19. Segment and Related Information

The Company has two reportable segments: Systems and Media. The Systems segment consists of Kirk & Blum, kbd/Technic, Busch and CECO Abatement. Kirk & Blum focuses on designing, building, and installing systems that remove airborne contaminants from industrial facilities, as well as equipment that controls emissions from such facilities. Kbd/Technic is a specialty-engineering firm concentrating in industrial ventilation and dust and fume control. CECO Abatement engineers, builds and installs thermal oxidation control systems to eliminate fumes and volatile organic compounds resulting from large-scale industrial processes. Busch engages in the business of marketing, selling, designing and assembling ventilation, environmental and process-related products.

The Media segment consists of CECO Filters, which manufactures and sells industrial air filters known as fiber bed mist eliminators used to improve air quality.

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
2001					
Net sales	$85,091	$ 7,863		$(1,960)	$90,994
Depreciation and amortization	1,385	213	$ 722		2,320
Operating income (loss)	4,701	642	(2,350)	12	3,005
Net costs and estimated earnings in excess of billings on uncompleted contracts	2,740	237			2,977
Total assets, net of inter-segment receivables	37,158	6,502	17,552	(8,182)	53,030
Capital expenditures	723	62	8		793
2000					
Net sales	$84,355	$ 6,481		$(1,019)	$89,817
Depreciation and amortization	1,298	227	$ 629		2,154
Operating income (loss)	4,299	(345)	(1,968)	24	2,010
Net costs and estimated earnings in excess of billings on uncompleted contracts	3,924				3,924
Total assets, net of inter-segment receivables	42,745	15,497	3,961	(7,249)	54,954
Capital expenditures	458	39	63		560
1999					
Net sales	$15,134	$ 7,717	$ 49	$ (486)	$22,414
Depreciation and amortization	358	220	151		729
Operating income (loss)	274	360	(192)		442
Net costs and estimated earnings in excess of billings on uncompleted contracts	2,492				2,492
Total assets, net of inter-segment receivables	41,866	14,372	5,720	(5,510)	56,448
Capital expenditures	12	153	275		440

20. Quarterly Financial Data (unaudited)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year ended December 31, 2001					
Revenues:					
Systems	$18,769	$21,913	$22,486	$21,923	$85,091
Media	1,069	1,324	1,882	3,588	7,863
Intercompany revenue	(70)	(163)	(51)	(1,676)	(1,960)
Total Revenues	19,768	23,074	24,317	23,835	90,994
Operating profit:					
Systems(1)(3)	646	891	1,463	1,700	4,700
Media(2)	126	(227)	395	349	643
Corporate and other	(489)	(535)	(555)	(759)	(2,338)
Income from operations	283	129	1,303	1,290	3,005
Net income (loss)	(340)	(117)	190	3	(264)
Basic earnings (loss) per share	(0.04)	(0.01)	0.02	0.00	(0.03)
Diluted earnings (loss) per share	(0.04)	(0.01)	0.02	0.00	(0.03)
Year ended December 31, 2000					
Revenues:					
Systems	$22,394	$20,805	$21,079	$20,076	$84,354
Media	1,232	1,608	1,506	2,135	6,481
Intercompany revenues	(72)	(385)	(194)	(367)	(1,018)
Total revenues	23,554	22,028	22,391	21,844	89,817
Operating profit:					
Systems(4)	1,219	1,092	1,277	740	4,328
Media	(101)	(369)	(446)	572	(344)
Corporate and other	(360)	(539)	(390)	(685)	(1,974)
Income from operations	758	184	441	627	2,010
Net income (loss)	75	(183)	(224)	(358)	(690)
Basic and diluted earnings (loss) per share	0.01	(0.02)	(0.03)	(0.04)	(0.08)

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(1) Includes a $200 reversal of a reserve in the first quarter held in connection with a customer in bankruptcy.
(2) Includes a $170 reversal of a reserve in the first quarter held in connection with an operating division discontinued in 1999.
(3) Reflects a $600 loss during the third quarter and a $650 loss during the fourth quarter related to expansion into a new product line during the second quarter which was abandoned during the third quarter.
(4) Reflects a $600 charge established for a potential loss on a contract commenced in the fourth quarter.

Exhibit 2.2

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
CECO ENVIRONMENTAL CORP.
INTO
CECO ENVIRONMENTAL CORP.

* * * * * * *

CECO ENVIRONMENTAL CORP., a corporation organized and existing under the laws of New York,

DOES HEREBY CERTIFY:

FIRST: That this corporation was incorporated on the 7th day of April, 1966, pursuant to the Business Corporation Laws of the State of New York, the provisions of which permit the merger of a corporation of another state and a corporation organized and existing under the laws of said state.

SECOND: That this corporation owns all of the outstanding shares of the stock of CECO Environmental Corp. a corporation incorporated on the / 10th / day of January, 2002, pursuant to the General Corporation Laws of the State of Delaware.

THIRD: That the directors of CECO Environmental Corp., a New York corporation, by the following resolutions of its Board of Directors, duly adopted by the unanimous written consent of its members, filed with the minutes of the Board on the 5th day of September, 2001, determined to merge itself into said CECO Environmental Corp., a Delaware corporation:

NOW, THEREFORE, BE IT RESOLVED, that the Corporation be and hereby is authorized to form a wholly-owned subsidiary in the State of Delaware with the name of CECO Environmental Corp. ("Subsidiary");

FURTHER RESOLVED, that the Corporation merge itself into Subsidiary, which assumes all of the obligations of the Corporation.

FURTHER RESOLVED, that the merger shall be effective upon filing with the Secretary of State of Delaware.

FURTHER RESOLVED, that the terms and conditions of the merger are as follows:

(a) Each share of common stock of the Corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof shall forthwith be automatically converted into shares of Subsidiary on a one-for-one basis.

(b) Each share of common stock of the surviving corporation which shall be outstanding on the effective date of the merger, and all rights in respect thereof shall forthwith be cancelled and no consideration shall be payable with respect to any such shares.

FURTHER RESOLVED, that upon approval by the shareholders of the merger, the Chairman of the Board, Chief Executive Officer and/or President of this Corporation be and he or she is each hereby directed to make and execute a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge itself into said Subsidiary, and the date of adoption thereof, and to cause the same to be filed with the Department of State of Delaware and to do all acts and things whatsoever whether within or without the State of Delaware, which may be in any way necessary or proper to effect said merger.

FOURTH: That the proposed merger has been adopted, approved, certified, executed and acknowledged by CECO Environmental Corp. in accordance with the laws of the State of New York, under which the corporation was organized.

FIFTH: Anything herein or elsewhere to the contrary notwithstanding, this merger may be amended or terminated and abandoned by the Board of Directors of CECO Environmental Corp. at any time prior to the time that this merger filed with the Secretary of State becomes effective.

IN WITNESS WHEREOF, said CECO Environmental Corp. has caused this Certificate to be signed by Phillip DeZwirek, its Chief Executive Officer, this 4th day of January, 2002.

CECO ENVIRONMENTAL CORP., a New York corporation

By: /s/ Phillip DeZwirek

Phillip DeZwirek
Chief Executive Officer

Exhibit 2.3

CERTIFICATE OF MERGER
OF
CECO ENVIRONMENTAL CORP.
INTO
CECO ENVIRONMENTAL CORP.
UNDER SECTION 907 OF THE BUSINESS CORPORATION LAW

1. CECO Environmental Corp. (f/k/a API Enterprises, Inc., original name: Alarm Products International, Inc.) a corporation of the State of New York ("CECO-New York") owns all of the outstanding shares of each class of CECO Environmental Corp., a corporation of the State of Delaware ("CECO-Delaware").

2. As to each corporation to be merged, the designation and number of outstanding shares of each class and the number of such shares, if any, owned by the surviving corporation are as follows:

Name of Corporation to be Merged

CECO Environmental Corp., a New York corporation

Designation and Number of Outstanding Shares

7,907,419 Common Shares Issued

Number of Shares Owned by Survivor

None. Survivor is the subsidiary.

3. Each of the issued and outstanding shares of the CECO-New York, are converted into, and exchangeable for, one issued and outstanding share of CECO-Delaware.

4. (a) The Certificate of Incorporation of CECO-New York was filed in the Department of State on the 7th day of April, 1966.

(b) CECO-Delaware was incorporated under the laws of the State of Delaware on the /10th/ day of January, 2002, no application has been filed for authority to do business in the State of New York.

(c) The merger is permitted by the laws of the state of incorporation of each foreign corporation constituent to this merger and is in compliance therewith.

5. The surviving corporation is CECO-Delaware, a corporation of the state of Delaware, incorporated on the /10th/ day of January, 2002, no application has
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been filed for authority to do business in the State of New York and it will not do business in New York until an application for authority shall have been filed by the Department of State. The merger is permitted by the laws of the state of its incorporation and is in compliance therewith.

6. CECO-Delaware agrees that it may be served with process in the State of New York in any action or special proceeding for the enforcement of any liability or obligation of any constituent corporation, previously amenable to suit in the State of New York, and for the enforcement under the Business Corporation Law, of the right of shareholders of any constituent domestic corporation to receive payment for their shares against the surviving corporation; and it designates the Secretary of State of New York as its agent upon whom process may be served in the manner set forth in paragraph (b) of Section 306 of the Business Corporation Law, in any action or special proceeding. The post office address to which the Secretary of State shall mail a copy of any process against it served upon him is c/o C T Corporation System, 111 Eighth Avenue, New York, N.Y. 10011. Such post office address shall supersede any prior address designated as the address to which process shall be mailed.

7. CECO-Delaware agrees that, subject to the provisions of Section 623 of the Business Corporation Law, it will promptly pay to the shareholders of each constituent domestic corporation the amount, if any, to which they shall be entitled under the provisions of the Business Corporation Law, relating to the right of shareholders to receive payment for their shares.

8. The merger has been approved by the shareholders of CECO-New York, in accordance with paragraph (a) of Section 903 of the Business Corporation Law.

9. The merger was approved, if necessary, in accordance with the laws of the state of incorporation of the surviving corporation.

10. Each of the constituent domestic corporations hereby certifies that all fees and taxes (including penalties and interest) administered by the Department of Taxation and Finance of the State of New York which are now due and payable by each constituent domestic corporation have been paid and that a cessation franchise tax report (estimated or final) through the anticipated date of the merger has been filed by each constituent domestic corporation. The said report, if estimated, is subject to amendment.

CECO-Delaware hereby agrees that it will within 30 days after the filing of the certificate of merger file the cessation franchise tax report, if an estimated report was previously filed, and promptly pay to the Department of Taxation and Finance of the State of New York all fees and taxes (including penalties and interest), if any, due to the Department of Taxation and Finance by each constituent domestic corporation.

Dated: January /4th/, 2002

CECO Environmental Corp.,
a New York corporation

By: /s/ Phillip DeZwirek

Phillip DeZwirek, Chief Executive Officer

CECO Environmental Corp.,
a Delaware corporation

By: /s/ Phillip DeZwirek

Phillip DeZwirek, Chief Executive Officer

Exhibit 3(i)

CERTIFICATE OF INCORPORATION
OF
CECO ENVIRONMENTAL CORP.

* * * * * * * * * *

I

The name of the corporation is CECO Environmental Corp.

II

The address of the corporation's registered office in the State of Delaware is located at Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of New Castle and the name of its registered agent at such address is The Corporation Trust Company.

III

The business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law (the "DGCL").

IV

The total number of shares of stock which the corporation shall have authority to issue is One Hundred Million Ten Thousand (100,010,000). The total number of shares of Common Stock which the Corporation shall have authority to issue is One Hundred Million (100,000,000) shares with a par value of $.01 per share. The total number of shares of Preferred Stock which the Corporation shall have the authority to issue is Ten Thousand (10,000) shares, with a par value of $.01 per share.

The Board of Directors is authorized, subject to limitations prescribed by law and the above provisions of this Article FOURTH, to provide for the issuance of shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof.

The authority of the board with respect to each series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series;

(b) The dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) Whether or not the shares of that series shall be redeemable, and if so, the terms and conditions of such redemption, including the date or date upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) Any other relative rights, preferences and limitations of that series.

V

The name and mailing address of the incorporator is as follows:

NAME	MAILING ADDRESS
Cynthia M. Hendzel	30 North LaSalle Street, Suite 2600 Chicago, Illinois 60602

VI

The corporation is to have perpetual existence.

VII

In furtherance and not in limitation of the powers conferred by statute, the board of directors is expressly authorized to make, alter or repeal the bylaws of the corporation.

VIII

Election of directors need not be by written ballot unless the bylaws of the corporation shall so provide. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the bylaws of the corporation.

IX

A. Indemnification of Officers and Directors: The Corporation shall:

(a) indemnify, to the fullest extent permitted by the DGCL, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or an officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or, if such person has previously been designated for indemnification by the resolution of the Board of Directors, an officer, employee or agent of the Corporation, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interest of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of no lo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful; and

(b) indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or an officer, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, joint venture, trust or other enterprise, or, if such person has previously been designated for indemnification by the resolution of the Board of Directors, an officer, employee or agent of the Corporation, against expenses (including attorneys' fees) actually and reasonably incurred by each person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or

matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper; and

(c) indemnify any director, or, if such person has previously been designated for indemnification by the resolution of the Board of Directors, an officer, employee or agent against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, to the extent that such director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Article IX.A. (a) and (b), or in defense of any claim, issue or matter therein; and

(d) make any indemnification under Article IX.A. (a) and (b) (unless ordered by a court) only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such director, officer, employee or agent has met the applicable standard of conduct set forth in Article IX.A. (a) and (b). Such determination shall be made (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders of the Corporation; and

(e) pay expenses incurred by a director or an officer in defending a civil or criminal action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the Corporation as authorized in this Article IX. Notwithstanding the foregoing, the Corporation shall not be obligated to pay expenses incurred by a director or an officer with respect to any threatened, pending, or completed claim, suit or action, whether civil, criminal, administrative, investigative or otherwise ("Proceedings") initiated or brought voluntarily by a director or an officer and not by way of defense (other than Proceedings brought to establish or enforce a right to indemnification under the provisions of this Article IX unless a court of competent jurisdiction determines that each of the material assertions made by the director or officer in such proceeding were not made in good faith or were frivolous). The Corporation shall not be obligated to indemnify the director or officer for any amount paid in settlement of a Proceeding covered hereby without the prior written consent of the Corporation to such settlement; and

(f) not deem the indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this Article IX exclusive of any

other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such director's or officer's official capacity and as to action in another capacity while holding such office; and

(g) have the right, authority and power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article IX; and

(h) deem the provisions of this Article IX to be a contract between the Corporation and each director, or appropriately designated officer, employee or agent who serves in such capacity at any time while this Article IX is in effect and any repeal or modification of this Article IX shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought or threatened based in whole or in part upon such state of facts. The provisions of this Article IX not be deemed to be a contract between the Corporation and any directors, officers, employees or agents of any other Corporation (the "Second Corporation") which shall merge into or consolidate with this Corporation when this Corporation shall be the surviving or resulting Corporation, and any such directors, officers, employees or agents of the Second Corporation shall be indemnified to the extent required under the DGCL only at the discretion of the Board of Directors of this Corporation; and

(i) continue the indemnification and advancement of expenses provided by, or granted pursuant to, this Article IX, unless otherwise provided when authorized or ratified, as to a person who has ceased to be a director, officer, employee or agent of the Corporation and such rights shall inure to the benefit of the heirs, executors and administrators of such a person.

B. Elimination of Certain Liability of Directors: No director of the
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Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, as the same exists or hereafter may be amended, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize the further elimination or limitation of liability of directors, then the liability of a director of the Corporation, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by an amended DGCL. Any repeal or modification of this Article IX by the stockholders of the Corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director of the Corporation existing at the time of such repeal or modification.

X

Whenever a compromise or arrangement is proposed between the corporation and its creditors or any class of them and/or between the corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the corporation under the provisions of Section 291 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the corporation under the provisions of Section 279 of the DGCL order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three-fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the corporation, as the case may be, and also on the corporation.

XI

The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

I, THE UNDERSIGNED, being the sole incorporator hereinbefore named, for the purposes of forming a corporation pursuant to the General Corporation Law of the State of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand this 4th day of January, 2002.

/s/ Cynthia M. Hendzel

Cynthia M. Hendzel

Exhibit 3(ii)

BY-LAWS

OF

CECO ENVIRONMENTAL CORP.

ARTICLE I

OFFICES

The corporation shall continuously maintain in the State of Delaware a registered office and a registered agent whose office is identical with such registered office, and may have other offices within or without the state.

The registered office of the corporation required by The General Corporation Law to be maintained in the State of Delaware may be, but need not be, identical with the principal place of business of the corporation, and the address of the registered office may be changed from time to time by the Board of Directors of the corporation. The Board of Directors shall also have the power to appoint a new registered agent from time to time, and to terminate the services of an incumbent registered agent.

ARTICLE II

STOCKHOLDERS

SECTION 1. Annual Meeting. An annual meeting of the stockholders commencing with the year 2002, shall be held on the date fixed, from time to time, by the directors, provided that each successive annual meeting shall be held on a date within thirteen months after the date of the preceding annual meeting, for the purpose of electing directors and for the transaction of such other business as may come before the meeting.

SECTION 2. Special Meetings. Special meetings of all of the stockholders of the Corporation, may be called only by the Board of Directors or by any officer instructed by the Board of Directors to call the meeting. The business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice for the meeting transmitted to stockholders.

SECTION 3. Place Of Meeting. The Board of Directors may designate any place, either within or without the State of Delaware, as a place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be at the corporation's executive offices.

SECTION 4. Notice Of Meetings. Written or printed notice stating the place, date, and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the

meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days, or in the case of a merger or consolidation not less than twenty (20) days, before the date of the meeting.

SECTION 5. Meeting Of All Stockholders. If all of the stockholders shall meet at any time and place, either within or without the State of Delaware, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

SECTION 6. Fixing Of Record Date. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or to receive payment of any dividend, or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of shares, or for the purpose of any other lawful action, the Board of Directors of the corporation may fix in advance a record date which shall not be more than sixty (60) days and not less than ten (10) days, before the date of such meeting. If no record date is fixed, the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be the date on which notice of the meeting is mailed, and the record date for the determination of stockholders for any other purpose shall be the date on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting.

SECTION 7. Voting Lists. The officer or agent having charge of the transfer books for shares of the corporation shall make at least ten (10) days before such meeting, whichever is earlier, a complete list of the stockholders entitled to vote at such meeting, arranged in alphabetical order, showing the address of and the number of shares registered in the name of the stockholder, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the principal place of business of the corporation and shall be subject to inspection by any stockholder, and to copying at the stockholder's expense, at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and may be inspected by any stockholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof kept in this State, shall be prima facie evidence as to who are the stockholders entitled to examine such list or share ledger or transfer book or to vote at any meeting of stockholders.

SECTION 8. Quorum. The holders of a majority of the outstanding shares of the corporation, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders; provided that if less than a majority of the outstanding shares are represented at said meeting, a majority of the shares so represented may adjourn the meeting at any time without further notice. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting shall be the act of the stockholders, unless the vote of a greater number or voting by classes is required by statute or the Certificate of Incorporation. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting. Withdrawal of stockholders from any meeting shall not cause failure of a duly constituted quorum at the meeting.

SECTION 9. Proxies. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy.

SECTION 10. Voting Of Shares. Unless provided in the certificate of incorporation, each outstanding share, regardless of class, shall be entitled to one vote upon each matter submitted to a vote at a meeting of stockholders.

SECTION 11. Voting Of Shares By Certain Stockholders. Shares standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the by-laws of such corporation may prescribe or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares standing in the name of a deceased person, a minor ward or an incompetent person, may be voted by his administrator, executor, court appointed guardian, or conservator, either in person or by proxy without a transfer of such shares into the name of such administrator, executor, court appointed guardian, or conservator. Shares standing in the name of a trustee may be voted by him, either in person or by proxy.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Any number of stockholders may create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote or otherwise represent their shares, for a period not to exceed ten (10) years, by entering into a written voting trust agreement specifying the terms and conditions of such voting trust, and by transferring their shares to such trustee or trustees for the purpose of the agreement. Any such trust agreement shall not become effective until a counterpart of the agreement is deposited with the corporation at its registered office. The counterpart of the voting trust agreement so deposited with the corporation shall be subject to the same right of examination by a stockholder of the corporation, in person, by agent or attorney, as are the books and records of the corporation, and shall be subject to examination by any holder of a beneficial interest in the voting trust, either in person, by agent or attorney, at any reasonable time for any proper purpose.

Shares of its own stock belonging to this corporation shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time, but shares of its own stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares at any given time.

SECTION 12. Inspectors. At any meeting of stockholders, the presiding officer may, or upon the request of any stockholder shall, appoint one or more persons as inspectors for such meeting.

Such inspectors shall ascertain and report the number of shares represented at the meeting, based upon their determination of the validity and effect of proxies; count all votes and report the results; and do such other acts as are proper to conduct the election and voting with impartiality and fairness to all the stockholders.

Each report of an inspector shall be in writing and shall be signed by him or by a majority of them if there be more than one (1) inspector acting at such meeting. If there is more than one (1) inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

SECTION 13. Meeting Leadership. The chairman of the board shall preside at all meeting of the stockholders. In the absence or inability to act of the chairman, the chief executive officer, the president, the chief financial officer or an executive vice president (in that order) shall preside, and in their absence or inability to act another person designated by one of them shall preside. The chairman of the meeting shall appoint a person who need not be a stockholder to act as secretary of the meeting.

SECTION 14. Order. Meetings of the stockholders need not be governed by any prescribed rules of order. The presiding officer's rulings on procedural matters shall be final. The presiding officer is authorized to impose time limits on the remarks of individual stockholders and may take such steps as such officer may deem necessary or appropriate, in his or her sole discretion, to assure that the business of the meeting is conducted in an orderly manner.

SECTION 15. Consent Of Absentees. No defect in the noticing of a stockholders' meeting will affect the validity of any action at the meeting if a quorum was present, and if each stockholder entitled to notice signs a written waiver of notice either before or after the meeting, such waivers, consents, or approvals are filed with the corporate records of made a part of the minutes of the meeting.

SECTION 16. Informal Action By Stockholders. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of the stockholders of the corporation, or any other action which may be taken at a meeting of the stockholders, may be taken without a meeting and without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voting. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III

DIRECTORS

SECTION 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors.

SECTION 2. Number, Tenure And Qualifications. The number of directors of the corporation shall be at least three (3) and no more than nine (9). A director shall hold office until the next annual meeting of stockholders and until his successor shall have been elected and qualified. Directors need not be residents of Delaware or stockholders of the corporation. The number of directors may be increased or decreased from time to time by the board of directors, but no decrease shall have the effect of shortening the term of any incumbent director.

SECTION 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of additional regular meetings without other notice than such resolution.

SECTION 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the chairman of the board, the chief executive officer, or a majority of the directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them.

SECTION 5. Notice. Notice of any special meeting shall be given at least five (5) days prior thereto by written notice to each director at his business address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice is sent by facsimile or e-mail, a confirming copy shall be sent by United States mail, addressed as set forth above, and such notice shall be deemed to be delivered when mailed in the prescribed manner. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. Quorum. A majority of the number of directors fixed by these By-Laws shall constitute a quorum for transaction of business at any meeting of the Board of Directors; provided that if less than a majority of such number of directors are present at said meeting, a majority of the directors present may adjourn the meeting at any time without further notice.

SECTION 7. Manner Of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute or by the Certificate of Incorporation.

SECTION 8. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

SECTION 9. Resignation And Removal. Any director or member of a committee may resign at any time upon written notice to the Board of Directors, its chairman, or to the chief executive officer or secretary of the corporation. One or more directors may be removed with or without cause at any time by the affirmative vote of the holders of a majority of the outstanding shares then entitled to vote, provided that, if done at a meeting, the notice of such meeting states the name of the director or directors to be removed.

SECTION 10. Action Without A Meeting. Unless specifically prohibited by the Certificate of Incorporation, any action required to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all the directors entitled to vote with respect to the subject matter thereof. Any such consent signed by all the directors shall have the same effect as a unanimous vote, and may be stated as such in any document filed with the Secretary of State or with any other party.

SECTION 11. Compensation. The Board of Directors, by the affirmative vote of a majority of directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors for services to the corporation as directors, officers, or otherwise. By resolution of the Board of Directors the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors. No such payment previously mentioned in this section shall preclude any director from serving the corporation in any other capacity and receiving compensation therefore.

SECTION 12. Presumption Of Assent. A director of the corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or shall forward such dissent by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

SECTION 13. Meetings By Telephone. The Board of Directors or any committee thereof may conduct meetings through a conference telephone or other communications equipment by means of which each and all persons participating can hear the others, in accordance with the provisions of Section 141(i) of the General Corporation Law of the State of Delaware.

SECTION 14. Committees. The Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in subsection (a) of Section 151 of the Delaware General Corporation Law, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the stock or authorize the increase or decrease of the shares of any series), and if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide, such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

SECTION 15. Committee Minutes. Each committee shall keep regular minutes of its meetings and shall file such minutes and all written consents with the Secretary of the Corporation. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third of the members shall constitute a quorum unless the committee shall consist of one or two members, in which event one member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by an committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

ARTICLE IV

OFFICERS

SECTION 1. Number. The officers of the corporation shall initially be a chairman of the board, a chief executive officer, a president, a chief financial officer and a secretary, each of whom shall be elected by the Board of Directors, and such vice-presidents (who may be designated as Vice Presidents, Senior Vice Presidents or Executive Vice Presidents), assistant

treasurers, assistant secretaries or other officers (the number thereof to be determined by the Board of Directors) as may be elected or appointed by the Board of Directors or appointed by the chief executive officer. Any two or more offices may be held by the same person.

SECTION 2. Election of Officers. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a chairman of the board, a chief executive officer, a president, a chief financial officer, one or more vice-presidents and a secretary, as the Board of Directors shall determine. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these by-laws otherwise provide.

SECTION 3. Other Officers. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the board.

SECTION 4. Compensation and Contract Rights. The Board of Directors shall have authority (a) to fix the compensation, whether in the form of salary, bonus, stock options or otherwise, of all officers and employees of the Corporation, either specifically or by formula applicable to particular classes of officers or employees, and (b) to authorize officers of the Corporation to fix the compensation of subordinate employees. The Board of Directors shall have authority to appoint a Compensation Committee and may delegate to such committee any or all of its authority relating to compensation. The appointment of an officer shall not of itself create contract rights.

SECTION 5. Term. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors, or with respect to persons who have the title of vice president, but are not officers of the corporation, may be filled by the chief executive officer.

SECTION 6. Chairman of the Board. The chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The chairman of the board shall be ex-officio a member of all committees.

SECTION 7. Chief Executive Officer. The chief executive officer shall be the ultimate decision-making officer of the corporation and shall have general charge and supervision of the business of the Corporation, shall see that all orders, actions and resolutions of the Board of Directors are carried out. The chief executive officer shall preside at all meetings of the stockholders and at all meetings of the board of directors, unless the chairman of the board of directors has been appointed and is present. The chief executive officer shall perform other duties commonly incident to the office of chief executive officer and shall also perform such other duties and have such other powers as may be prescribed by the board from time to time.

SECTION 8. President. The president shall be in charge of the day-to-day operations and other such duties assigned to the president by the board or the chief executive officer. The president shall report to the chief executive officer of the corporation. The president shall perform other duties commonly incident to the office of president and shall also perform such other duties and have such other powers as may be prescribed by the board from time to time.

SECTION 11. Vice Presidents. The vice-presidents shall report to the chief executive officer or the president of the corporation, as the chief executive officer shall determine, and shall assist the chief executive officer and the president in the discharge of their duties as the chief executive officer and/or the president, as appropriate, may direct. The vice president shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the board, the chief executive officer or the president shall designate from time to time.

The chief executive officer shall be authorized to appoint employees with the title of vice-president without the approval of the Board of Directors. Such appointed vice-presidents shall not be officers of the corporation and shall not have the powers given to vice-presidents under these By-Laws.

SECTION 12. The Secretary And Assistant Secretary. The secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the chairman of the board or chief executive officer, under whose supervision he shall be. He shall have custody of the corporate seal of the corporation and he, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his signature.

The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

SECTION 13. The Chief Financial Officer. The chief financial officer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the chairman of the

board, the chief executive officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as chief financial officer and of the financial condition of the corporation.

If required by the Board of Directors, he shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

ARTICLE V

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 2. Loans. No loans shall be contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

SECTION 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

SECTION 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositaries as the Board of Directors may select.

ARTICLE VI

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 1. Certificates For Shares. Certificates representing shares of the corporation shall be signed by the chief executive officer, the president or the chief operating officer or by such officer as shall be designated by resolution of the Board of Directors and by the secretary or an assistant secretary, and may be sealed with the seal or a facsimile of the seal of the corporation, if the corporation uses a seal. If both the signatures of the officers be by facsimile, the certificate shall be manually signed by or on behalf of a duly authorized transfer agent or clerk. Each certificate representing shares shall be consecutively numbered or otherwise identified, and shall also state the name of the person to whom issued, the number and class of shares (with designation of series, if any), the date of issue, that the corporation is organized under the laws of the State of Delaware, and the par value of such shares or a statement that the shares are without par value. If the corporation is

authorized and does issue shares of more than one class, or of series within a class, the certificate shall also contain such information or statement as may be required by law.

The name and address of each stockholder, the number and class of shares held and the date on which the certificates for the shares were issued shall be entered on the books of the corporation. The person in whose name shares stand on the books of the corporation shall be deemed the owner thereof for all purposes as regards the corporation.

SECTION 2. Lost Certificates. If a certificate representing shares has allegedly been lost or destroyed the Board of Directors, the chief executive officer, the president or the chief operating officer may in its discretion, except as may be required by law, direct that a new certificate be issued upon such indemnification and other reasonable requirements as it may impose.

SECTION 3. Transfers Of Shares. Transfers of shares of the corporation shall be recorded on the books of the corporation and, except in the case of a lost or destroyed certificate, the certificate or certificates representing such shares shall be surrendered for cancellation. A certificate presented for transfer must be duly endorsed and accompanied by proper guaranty of signature and other appropriate assurances that the endorsement is effective.

ARTICLE VII

FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE VIII

DIVIDENDS

The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and the Certificate of Incorporation.

ARTICLE IX

SEAL

The corporation may in its discretion determine to use a corporate seal. If a corporate seal is used, the corporate seal shall have inscribed thereon the name of the corporation. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

ARTICLE X

WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of these By-Laws or under the provisions of the Certificate of Incorporation or under the provisions of the General Corporation Law of the State of Delaware, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Attendance at any meeting shall constitute waiver of notice thereof unless the person at the meeting objects to the holding of the meeting because proper notice was not given.

ARTICLE XI

RECORDS AND REPORTS

SECTION 1. Inspection Of Books And Records. All books and records provided for by statute shall be open to inspection of the stockholders from time to time and to the extent provided by statute, and of otherwise. Any director may examine such books and records at all reasonable times.

SECTION 2. Closing Stock Transfer Books. The Board of Directors may close the transfer books in its discretion for a period not exceeding sixty (60) days preceding any meeting, annual or special, of the stockholders, or the day appointed for the payment of a dividend.

ARTICLE XII

AMENDMENTS

The power to make, alter, amend, or repeal these By-Laws shall be vested in the stockholders or the Board of Directors, unless reserved to the stockholders by the Certificate of Incorporation. These By-Laws may contain any provisions for the regulation and management of the affairs of the corporation not inconsistent with law or the Certificate of Incorporation.

ARTICLE XIII

CONSTRUCTION OF TERMS

The use of singular and plural words and terms, and of the male or female gender, in these By-Laws may be construed and applied alternatively in accordance with the facts and circumstances existing at the time of construction and application of such words and terms.

ARTICLE XIV

INDEMNIFICATION OF OFFICERS, DIRECTORS, EMPLOYEES AND AGENTS

The corporation shall indemnify and advance expenses to its officers and directors to the fullest extent permitted by the General Corporation Law of Delaware, as amended (the "Act"), provided, however, the indemnification and advancement of expenses provided by or granted pursuant to the Act shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in any other capacity while holding such office. The indemnification and advancement of expenses shall continue as to a person who has ceased to be a director, or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

The corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the corporation to the fullest extent of the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the corporation.

The corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of this Article.

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.

AMENDED AND RESTATED REPLACEMENT PROMISSORY NOTE

$4,000,000 May 1, 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 Replacement Promissory Note dated March 12, 2001 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Amended and Restated Replacement Promissory Note.

WHEREAS, Green Diamond has assigned the Prior Note to Taurus Capital Markets Ltd.

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a New York corporation, hereby promises to pay to the order of Taurus Capital Markets Ltd. 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 to be issued in connection with a mezzanine financing by the Company (the "1999 Subordinated Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) six and one-half (6 1/2) years from 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. Prepayment.

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

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

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

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

7. Warrant Coverage. Holder shall receive, on the date hereof, ten-year warrants (the "Warrants) to purchase 800,000 shares of common stock of the Company ("Common Stock"). The exercise price of the Warrants shall be $2.25 per share of Common Stock of the Company ("Exercise Price") and shall become exercisable six months after the date hereof. The Warrants shall contain the terms and shall be in the form attached hereto, as Exhibit A.

The holders of the Warrant shall have registration rights in accordance with the terms as set forth in the a Warrant Agreement in the form attached as Exhibit B.

8. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December 7, 1999 ("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 dated December 7, 1999 (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"):

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

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

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

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

11. Events of Default.

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Miscellaneous.

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

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

13.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the date of delivery if delivered personally, (ii) one (1) business day after transmission by facsimile

transmission with a written confirmation copy sent by first class mail, or (iii) five (5) days after mailing if mailed by first class mail, to the following addresses:

If to the Company: CECO Environmental Corp.
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.

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

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

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

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

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

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

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

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

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

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

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR

ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

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

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek, President

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.

AMENDED AND RESTATED REPLACEMENT PROMISSORY NOTE

$500,000 May 1, 2001

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

WHEREAS, the terms of the Advance are set forth in a Replacement Promissory Note dated March 12, 2001 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Amended and Restated 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 Harvey Sandler or registered assigns ("Holder"), the principal sum of FIVE HUNDRED THOUSAND DOLLARS ($500,000.00) on the Maturity Date, as defined in Section 1 below. This Note is part of a series of Notes of like tenor and effect to this Note in the aggregate principal amount of $5,000,000 to be issued in connection with a mezzanine financing by the Company (the "1999 Subordinated Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) six and one-half (6 1/2) years from 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. Prepayment.

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

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

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

requested from time to time by the Company in order to implement the foregoing provisions of this Section.

7. Warrant Coverage. Holder shall receive, on the date hereof, ten-year warrants (the "Warrants) to purchase 100,000 shares of common stock of the Company ("Common Stock"). The exercise price of the Warrants shall be $2.25 per share of Common Stock of the Company ("Exercise Price") and shall become exercisable six months after the date hereof. The Warrants shall contain the terms and shall be in the form attached hereto, as Exhibit A.

The holders of the Warrant shall have registration rights in accordance with the terms as set forth in the a Warrant Agreement in the form attached as Exhibit B.

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"):

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

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

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

10.4 Use the proceeds from the sale of the 1999 Subordinated Notes other than in the ordinary course of its business for general corporate purposes including lending monies

to any of its subsidiaries. The Company also covenants and agrees that it shall operate its business in the ordinary course.

11. Events of Default.

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

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

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

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

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

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

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

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

12.1 Experience. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the

Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests.

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

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

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

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

13. Miscellaneous.

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

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

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

If to the Company: CECO Environmental Corp.
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, with a copy to Lawrence N. Rosen, Esq., Lawrence N. Rosen, P.A., 2925 Aventura Boulevard, Suite 308, Aventura, Florida 33180.

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

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

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

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

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

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

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

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

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

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR

ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

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

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek, President

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.

AMENDED AND RESTATED REPLACEMENT PROMISSORY NOTE

$500,000 May 1, 2001

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

WHEREAS, the terms of the Advance are set forth in a Replacement Promissory Note dated March 12, 2001 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Amended and Restated Replacement Promissory Note.

WHEREAS, ICS Trustee Services Ltd. has assigned the Prior Note to Taurus Capital Markets Ltd.

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

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) six and one-half (6 1/2) years from 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. Prepayment.

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

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

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

requested from time to time by the Company in order to implement the foregoing provisions of this Section.

7. Warrant Coverage. Holder shall receive, on the date hereof, ten-year warrants (the "Warrants) to purchase 100,000 shares of common stock of the Company ("Common Stock"). The exercise price of the Warrants shall be $2.25 per share of Common Stock of the Company ("Exercise Price") and shall become exercisable six months after the date hereof. The Warrants shall contain the terms and shall be in the form attached hereto, as Exhibit A.

The holders of the Warrant shall have registration rights in accordance with the terms as set forth in the a Warrant Agreement in the form attached as Exhibit B.

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"):

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

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

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

10.4 Use the proceeds from the sale of the 1999 Subordinated Notes other than in the ordinary course of its business for general corporate purposes including lending monies

to any of its subsidiaries. The Company also covenants and agrees that it shall operate its business in the ordinary course.

11. Events of Default.

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

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

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

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

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

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

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

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

12.1 Experience. The Holder has substantial experience in evaluating and investing in private placement transactions of securities in companies similar to the

Company so that it is capable of evaluating the merits and risks of its investment in the Company and has the capacity to protect its own interests.

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

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

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

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

13. Miscellaneous.

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

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

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

If to the Company: CECO Environmental Corp.
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, with a copy to Lawrence N. Rosen, Esq., Lawrence N. Rosen, P.A., 2925 Aventura Boulevard, Suite 308, Aventura, Florida 33180.

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

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

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

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

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

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

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

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

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

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

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR

ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

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

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek, President

Exhibit 10.42

FOURTH AMENDMENT TO CREDIT AGREEMENT

This FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 20th day of August, 2001 by and among CECO GROUP, INC., CECO FILTERS, INC., AIR PURATOR CORPORATION, NEW BUSCH CO., INC., THE KIRK & BLUM MANUFACTURING COMPANY, KBD/TECHNIC, INC. and CECO ABATEMENT SYSTEMS, 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, by Second Amendment to Credit Agreement dated as of November 10, 2000 and by Third Amendment to Credit Agreement dated as of March 30, 2001 (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) The definition of "Revolving Credit Commitment" as presently set forth in Section 1.1 of the Credit Agreement shall be deleted and shall be replaced with the following:

"Revolving Credit Commitment": means $8,000,000, as reduced from time to time pursuant to Section 2.9.

(b) The definition of "Termination Date" as presently set forth in Section 1.1 of the Credit Agreement shall be deleted and shall be replaced with the following:

"Termination Date": April 1, 2003

(c) 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	4.50%	3.00%
Term Loan A	4.50%	3.00%
Term Loan B	5.00%	3.50%

(d) The provisions of paragraph 2(k) of the Third Amendment to Credit Agreement, which modifies Section 2.6(b) of the Credit Agreement, is hereby modified by adding the following at the end of paragraph 2(k):

> and such additional amounts, up to $4,000,000 (not including the $1,000,000), (i) that the Borrowers or Guarantors receive as net proceeds of the Equity Contribution and (ii) any amounts in excess of $6,500,000 EBITDA for the twelve months ending December 31, 2001, also will be used as a prepayment of the Term Loans. The sum total of the $1,000,000 prepayment and the aforementioned items (i) and (ii) will not exceed $5,000,000.

(e) Section 2.10 of the Credit Agreement shall be modified by adding the following at the end thereof.

> (g) Life Insurance. No later than September 30, 2001, Borrowers shall obtain the maximum amount of the cash value of the Life Insurance as will not cause the Life Insurance policy to be canceled or create substantial adverse income tax consequences for Borrowers and shall pay to Agent, for the ratable benefit of the Banks, an amount equal to the cash value of the Life Insurance so obtained as a prepayment of the principal of the Term Loan B. Such payment shall be applied in the inverse order of maturity. Borrowers shall disclose to the Banks, in detail reasonably acceptable to the Banks, any substantial adverse income tax consequences to Borrowers which reduce the amount of cash value taken from the Life Insurance and paid to the Agent.

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

> > (g) Beginning on Monday of the second week after the week in which the Fourth Amendment to Credit Agreement is dated and continuing on Monday of each week thereafter, for the balance of the term of the Credit Agreement, rolling twelve (12) week, weekly cash flow projections for the Borrowers, for the weeks which begin with the Monday of the week following the date each such projection is due. Beginning with the second such projection which is due, and continuing on each Monday thereafter, for the balance of the term of the Credit Agreement, a comparison of actual cash

flow of the Borrowers to projected cash flow of the Borrowers for the week which ended on the Friday of the week before such comparison is due. The projections and comparisons shall all be in form and content reasonably acceptable to the Banks. Notwithstanding any provision to the contrary contained in this Agreement, the Borrowers' failure to deliver any of the items required by this subsection (g) subject to a cure period of three (3) business days after the required notice, shall constitute an Event of Default.

(g) Section 5.6 of the Credit Agreement is hereby amended by inserting the following new subsection (d):

(d) Provide to the Banks, on or before August 31, 2001, a list of the equipment of Borrowers which includes the following information: (i) the location of each piece of equipment; (ii) the serial number of each piece of equipment which has a serial number; (iii) a description of each piece of equipment; and (iv) the date each piece of equipment was placed in service by one of the Borrowers, to the extent known; thereafter, permit appraisers selected as provided below access to the Borrowers property, as the appraisers deem reasonably necessary, to perform appraisals for the Banks; and pay the reasonable costs of such appraisals. The Banks will attempt to minimize the costs of the equipment appraisals to the extent reasonably possible without defeating the Banks' purpose for obtaining such equipment appraisals. The Banks will obtain bids from not less than four (4) real estate appraisers to appraise all of the Borrowers' real estate except for the Conshohocken, Pennsylvania property. The Banks will provide the Borrowers with summaries of all of such bids. The Banks shall engage the lowest acceptable bidder chosen by the Banks. All appraisals hereunder shall be in form and content reasonably acceptable to the Banks.

(h) The provision of paragraph 2(m) of the Third Amendment to Credit Agreement, which modifies Section 6.1(a) Leverage Ratio of the Credit Agreement,
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is hereby modified as follows:

(m) Section 6.1(a) Leverage Ratio of the Credit Agreement shall be
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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
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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 Must Not Be Greater 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	6.70 to 1
September 30, 2001 through December 30, 2001	5.50 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.

(i) The provision of paragraph 2(n) of the Third Amendment to Credit Agreement, which modifies Section 6.1(b) Fixed Charge Coverage Ratio of the Credit Agreement, is hereby modified as follows

(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 Must Not Be Less Than
December 31, 2000 through March 30, 2001	.84 to 1
March 31, 2001 through June 29, 2001	.80 to 1
June 30, 2001 through September 29, 2001	.76 to 1
September 30, 2001 through December 30, 2001	.80 to 1
December 31, 2001	1.00 to 1

provided, however, that the calculation of Fixed Charge Coverage Ratio for September 30, 2001, shall be calculated on the basis of calendar year 2001 to date, rather than on a rolling twelve month basis, and further provided, however, that 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.

(j) The provision in paragraph 2(o) of the Third Amendment to Credit Agreement, which modifies Section 6.1(c) Interest Coverage Ratio of the Credit Agreement, is hereby modified as follows:

(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:

(c) 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 Must Not 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	1.00 to 1
September 30, 2001 through December 30, 2001	1.25 to 1
December 31, 2001	2.20 to 1

provided, however, that Interest Coverage Ratio for September 30, 2001, shall be calculated on the basis of calendar year 2001 to date, rather than a rolling twelve month basis, and further provided, however, the abatement of Section 6.1(c) Interest Coverage Ratio of the Credit Agreement shall cease on January 2, 2002, and such section shall continue as provided in the Credit Agreement immediately before the effective date of this Amendment, except that the words "equal or exceed" in the fifth line of Section 6.1(c) shall be changed to "be less than".

(k) Beginning on the date of the Fourth Amendment to Credit Agreement, for the balance of the term of the Credit Agreement, the "Interest Period" with respect to all Eurodollar Loans and conversions to Eurodollar Loans shall be for a one month period and no Eurodollar Loan with a period of more than one month which exists on the date of the Fourth Amendment to Credit Agreement may be continued for a period of more than one month and requests by Borrowers for borrowings, conversions or continuations of Eurodollar Loans for periods of more than one month shall be treated as requests for borrowings, conversions or continuations of Eurodollar Loans for a period of one month.

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 hereby represent to the Banks that their operations located in Chicago, Illinois, will be performed by CECO Abatement Systems, Inc., a Delaware corporation which was formed on April 26, 2001, and which is wholly owned Subsidiary of one of Borrowers. By executing this Fourth Amendment to Credit Agreement, CECO Abatement Systems, Inc. agrees: (i) to become one of the Borrowers under the Credit Agreement, as if it had originally executed the Credit Agreement and the other Loan Documents; (ii) to be bound by the terms of the Credit Agreement and the other Loan Documents; (iii) to complete the due diligence worksheets provided

by the Banks within fifteen (15) days after provided by the Banks; (iv) to keep all of its assets free and clear of all liens and security interests except for the liens and security interests given for the benefit of the Banks and permitted liens under Section 6.3 of the Credit Agreement; and (v) within fifteen (15) days after provided to it by the Banks, execute and deliver all such mortgages, deeds of trust, security agreements, pledges, financing statements and other collateral security documents as the Banks shall request, from time to time.

(b) Upon request by the Banks, the Borrowers, and each of them, shall execute and deliver any documents required by the Banks to perfect their liens and security interests under the Credit Agreement and the other Loan Documents, including, but not limited to, real estate mortgages or deeds of trust and security agreements and financing statements under the Uniform Commercial Code.

4. Amendment Fees. The Borrowers shall pay to the Agent, for the ratable benefit of the Banks, upon the date of this Amendment, a fee of twenty-five thousand dollars ($25,000). In addition, the provisions of paragraphs 4 and 5 of the Third Amendment to Credit Agreement for the payment of the one hundred fifty thousand dollar ($150,000) Amendment Fee are amended to provide that: (i) on the date of this Amendment, the amount of fifty thousand dollars ($50,000) currently in the Cash Collateral Account at Fifth Third Bank shall be paid to Agent, for the ratable benefit of the Banks; and (ii) immediately upon payment by the Borrowers of the fifty thousand dollars ($50,000) deposits, if any, required to be made to the Cash Collateral Account at Fifth Third Bank on (A) the earlier of (i) the date of the Equity Contribution or (ii)September 30, 2001, and (B) if the Equity Contribution was not made prior to September 30, 2001, the earlier of (i) the date of the Equity Contribution or (ii) December 31, 2001, as provided in paragraph 5 of the Third Amendment to Credit Agreement, those deposits shall be paid to Agent, for the ratable benefit of the Banks. Such deposits and payments shall satisfy all payments due under paragraph 4 of the Credit Agreement. In all other respects the provisions of paragraphs 4 and 5 of the Third Amendment to Credit Agreement shall remain in effect.

5. 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.

6. 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.

7. 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, provided that, for purposes of this Amendment, only: (x) the representations and warranties made in Section 3.1(a) and (b) and 3.21

of the Credit Agreement shall relate to the most recent financial statements of the type referred to therein which have been given by the Borrowers to the Banks (but the foregoing shall not be a waiver of any Default or Event of Default based on any representation or warranty made by the Borrowers in the Credit Agreement or any amendment thereof, prior to this Amendment, being untrue at the time made, or for any breach of any covenant contained in the Credit Agreement, as amended prior to the date of this Amendment); (y) the representations and warranties made in Section 3.1(c) of the Credit Agreement shall be made as of the date of this Amendment and not as of the Closing Date; and (z) the representations and warranties made in Section 3.2 of the Credit Agreement shall refer to Material Adverse Effect since the last audited consolidated financial statements of the Borrowers provided to the Banks by the Borrowers, instead of since September 30, 1999 (but the foregoing shall not be a waiver of any Default or Event of Default based on any representation or warranty made by the Borrowers in the Credit Agreement or any amendment thereof, prior to this Amendment, being untrue at the time made, or for any breach of any covenant contained in the Credit Agreement, as amended prior to the date of this Amendment); 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.

8. 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.

9. 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.

10. 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.

11. Effective Date. The parties hereto agree that subsections (h), (i) and (j) of Section 2 hereof shall for all purposes be deemed to be effective as of June 30, 2001 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/ Richard J. Blum

Name: Richard J. Blum
Title: CEO & President

CECO FILTERS, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

AIR PURATOR CORPORATION

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

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/ Marshall J. Morris

Name: Marshall Morris
Title: Treasurer

CECO ABATEMENT SYSTEMS, INC.

By: /s/ David D. Blum

Name: David D. Blum
Title: President

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

By: /s/ William c. Miles

Name: William C. Miles
Title: Vice President

FIFTH THIRD BANK, as a Bank

By: /s/ David R. Alexander

Name: David R. Alexander
Title: Assistant Vice President

BANK ONE, NA, as a Bank

By: /s/ Jeffrey C. Nicholson

Name: Jeffrey C. Nicholson
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 Fourth 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/ Richard J. Blum

Name: Richard J. Blum
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 Fourth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that 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

Name: 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 Fourth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that 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:

Name:
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 Fourth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

HARVEY SANDLER

Exhibit 10.43

FIFTH AMENDMENT TO CREDIT AGREEMENT

This FIFTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the 27th day of March, 2002 by and among CECO GROUP, INC., CECO FILTERS, INC., AIR PURATOR CORPORATION, NEW BUSCH CO., INC., THE KIRK & BLUM MANUFACTURING COMPANY, KBD/TECHNIC, INC. and CECO ABATEMENT SYSTEMS, 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, by Second Amendment to Credit Agreement dated as of November 10, 2000, by Third Amendment to Credit Agreement dated as of March 30, 2001 and by Fourth Amendment to Credit Agreement dated as of August 20, 2001(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 are 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) The provision in paragraph 2(m) of the Third Amendment to Credit Agreement (as modified by paragraph 2(h) of the Fourth Amendment to Credit Agreement), which modifies Section 6.1(a) Leverage Ratio of the Credit Agreement, is hereby modified as follows:

> (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 Must Not Be Greater 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	6.70 to 1
September 30, 2001 through December 30, 2001	5.50 to 1
December 31, 2001	3.40 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 on January 2, 2002.

(b) The provision in paragraph 2(o) of the Third Amendment to Credit Agreement (as modified by paragraph 2(j) of the Fourth Amendment to Credit Agreement), which modifies Section 6.1(c) Interest Coverage Ratio of the Credit Agreement, is hereby modified as follows:

(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:

(c) 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 Must Not 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	1.00 to 1
September 30, 2001 through December 30, 2001	1.25 to 1
December 31, 2001	1.65 to 1

provided, however, that Interest Coverage Ratio for September 30, 2001, shall be calculated on the basis of calendar year 2001 to date, rather than a rolling twelve month basis, and further provided, however, the abatement of Section 6.1(c) Interest Coverage Ratio of the Credit Agreement shall cease on January 2, 2002, and such section shall continue as provided in the Credit Agreement immediately before the effective date of this Amendment, except that the words "equal or exceed" in the fifth line of Section 6.1(c) shall be changed to "be less than".

3. Sale of Assets. The provisions of Section 2.10 (c) and Section 6.5 of the Credit Agreement notwithstanding, Borrowers are permitted to sell the assets described on Exhibit A-5

attached hereto and by this reference incorporated herein, subject to fulfillment, to the satisfaction of Agent and its counsel, of the following terms:

(a) In addition to any other amounts due under the Credit Agreement, Borrowers shall have paid to Agent, for the ratable benefit of the Banks, the sum of Two Hundred Fifty Thousand Dollars ($250,000), on or prior to the date of this Amendment. Such amount and all other amounts required to be paid hereunder shall be applied as prepayment of the principal of Term Loan B. Such payments shall be applied in the inverse order of maturity.

(b) In addition to any other amounts due under the Credit Agreement, Borrowers shall pay to Agent, for the ratable benefit of the Banks, the sum of One Hundred Twenty-Five Thousand Dollars ($125,000), on or prior to March 15, 2002, which amount shall be applied as a prepayment of the principal of Term Loan B as provided in subparagraph 3 (a) above.

(c) In addition to any other amounts due under the Credit Agreement, Borrowers shall pay to Agent, for the ratable benefit of the Banks, the sum of Fifty Thousand Dollars ($50,000) each, on or prior to September 30, 2002 and March 31, 2003, which amounts shall be applied as a prepayment of the principal of Term Loan B as provided in subparagraph 3 (a) above.

(d) This authorization of sale of assets shall not be deemed to be a waiver of the provisions of Section 2.10 (c) or Section 6.5 of the Credit Agreement or any other provision thereof which prohibits or restricts sale of any other assets of Borrowers.

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 as amended herein are true and correct in all material respects as of the date hereof, as if made on the date hereof, provided that, for purposes of this Amendment, only: (x) the representations and warranties made in Section 3.1(a) and (b) and 3.21 of the Credit Agreement shall relate to the most recent financial statements of the type referred to therein which have been given by the Borrowers to the Banks (but the foregoing shall not be a waiver of any Default or Event of Default based on any representation or warranty made by the Borrowers in the Credit Agreement or any amendment thereof, prior to this Amendment, being untrue at the time made, or for any breach of any covenant contained in the Credit Agreement, as

amended prior to the date of this Amendment); (y) the representations and warranties made in Section 3.1(c) of the Credit Agreement shall be made as of the date of this Amendment and not as of the Closing Date; and (z) the representations and warranties made in Section 3.2 of the Credit Agreement shall refer to Material Adverse Effect since the last audited consolidated financial statements of the Borrowers provided to the Banks by the Borrowers, instead of since September 30, 1999 (but the foregoing shall not be a waiver of any Default or Event of Default based on any representation or warranty made by the Borrowers in the Credit Agreement or any amendment thereof, prior to this Amendment, being untrue at the time made, or for any breach of any covenant contained in the Credit Agreement, as amended prior to the date of this Amendment); 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, 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.

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 consents of the Guarantor and the Subordinated Creditors as attached hereto; and

(ii) The Amendment to Security Agreement which adds CECO Abatement Systems, Inc. as a Debtor; updates the representations and warranties

set forth in the Security Agreement dated December 7, 1999 as to all Debtors; and authorizes Agent to file such financing and continuation statements as Agent deems necessary or appropriate in order to perfect and continue the perfection of the security interests created by the Security Agreement, without the signature of any Debtor, including, without limitation, "in lieu of" filings.

(iii) 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.

8. 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.

9. 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.

10. Effective Date. The parties hereto agree that the provisions of paragraph 2 of this Amendment shall for all purposes be deemed to be effective as of December 31, 2001and 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 paragraph, even though this Amendment is executed after such date.

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:
Title:

CECO FILTERS, INC.

By: /s/ Marshall J. Morris

Name:
Title:

AIR PURATOR CORPORATION

By: /s/ Marshall J. Morris

Name:
Title:

NEW BUSCH CO., INC.

By: /s/ Marshall J. Morris

Name:
Title:

THE KIRK & BLUM MANUFACTURING COMPANY

By: /s/ Marshall J. Morris

Name:
Title:

KBD/TECHNIC, INC.

By: /s/ Marshall J. Morris

Name:
Title:

CECO ABATEMENT SYSTEMS, INC.

By: /s/ Marshall J. Morris

Name:
Title:

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

By: /s/ William C. Miles

Name: /s/ William C. Miles
Title: /s/ Vice President

FIFTH THIRD BANK, as a Bank

By: /s/ David R. Alexander

Name: /s/ David R. Alexander
Title: /s/ Assistant Vice President

BANK ONE, NA, as a Bank

By: /s/ Gary K. Myers

Name: /s/ Gary K. Myers
Title: /V.P./

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 Fifth 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:

Name:
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 Fifth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that 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:

Name:
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 Fifth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that 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:

Name:
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 Fifth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

HARVEY SANDLER

Exhibit 10.44

Option for the Purchase of Shares of Common Stock

25,000 Shares

FOR VALUE RECEIVED, CECO Environmental Corp. (the "Company"), hereby certifies that Jason DeZwirek, or a permitted assign thereof, is entitled to purchase from the Company, at any time or from time to time commencing April 5, 2002, and prior to 5:00 P.M., P.S.T., on October 5, 2011, Twenty-five Thousand (25,000) fully paid and nonassessable shares of the common stock, of the Company for a purchase price of $2.01 per share. (Hereinafter, (i) said common stock, together with any other equity securities which may be issued by the Company with respect thereto or in substitution therefor, is referred to as the "Common Stock," (ii) the shares of the Common Stock purchasable hereunder or under any other Option or (as hereinafter defined) are referred to as the "Option Shares," (iii) the price payable hereunder for each of the Option Shares is referred to as the "Option Exercise Price," (iv) this Option, and all options hereafter issued in exchange or substitution for this Option or such other options are referred to as the "Options" and (v) the holder of this Option is referred to as the "Holder" and the holder of this Option and all other Options are referred to as the "Holders"). The Option Exercise Price is subject to adjustment as hereinafter provided:

1. Exercise of Option.

a) Exercise for Cash

This Option may be exercised, in whole at any time or in part from time to time, commencing April 5, 2002, and prior to 5:00 P.M., P.S.T., on October 5, 2011, by the Holder by the surrender of this Option (with the subscription form at the end hereof duly executed) at the address set forth in Subsection 8(a) hereof, together with proper payment of the Per Share Option Price times the number of shares of Common Stock to be received. Payment for Option Shares shall be made by certified or official bank check payable to the order of the Company or if applicable, without cash pursuant to a cashless net exercise. If this Option is exercised in part, this Option must be exercised for a number of whole shares of the Common Stock, and the Holder is entitled to receive a new Option Covering the Option Shares which have not been exercised. Upon such surrender of this Option the Company will (a) issue a certificate or certificates in the name of the Holder for the largest number of whole shares of the Common Stock to which the Holder shall be entitled and, if this Option is exercised in whole, in lieu of any fractional share of the Common Stock to which the Holder shall be entitled, pay to the Holder cash in an amount equal to the fair value of such fractional share (determined in such reasonable manner as the Board of Directors of the Company shall determine), and (b) deliver the other securities and properties receivable upon the exercise of this Option, or the proportionate part thereof if this Option is exercised in part, pursuant to the provisions of this Option.

b) Cashless Exercise

In lieu of exercising this Option in the manner set forth in paragraph l(a) above, this Option may be exercised, in whole or in part, by surrender of the Option without payment of any other consideration, commission or remuneration, by execution of the cashless exercise subscription form (at the end hereof, duly executed). The number of shares to be issued in exchange for the Option will be computed by subtracting the Option Exercise Price from either (i) the closing bid price of the Common Stock on the date of receipt of the cashless exercise subscription form, or (ii) the most recent negotiated value used in connection with any sale of the Company's securities or in connection with any business combination involving the Company, and multiplying that amount by the number of shares represented by the Option, and dividing by the closing bid price as of the same date.

2. Reservation of Option Shares, Listing.

The Company agrees that, prior to the expiration of this Option, the Company will at all times have authorized and in reserve, and will keep available, solely for issuance or delivery upon the exercise of this Option, the shares of the Common Stock and other securities and properties as from time to time shall be receivable upon the exercise of this Option, free and clear of all restrictions on sale or transfer (except for applicable state or federal securities law restrictions) and free and clear of all pre-emptive rights.

3. Protection Against Dilution.

a) If, at any time or from time to time after the date of this Option, the Company shall issue or distribute (for no consideration) to the holders of shares of Common Stock evidences of its indebtedness, any other securities of the Company or any cash, property or other assets (excluding a subdivision, combination or reclassification, or dividend or distribution payable in shares of Common Stock, referred to in Subsection 3(b), and also excluding cash dividends or cash distributions paid out of net profits legally available therefor if the full amount thereof, together with the value of other dividends and distributions made substantially concurrently therewith or pursuant to a plan which includes payment thereof, is equivalent to not more than 5% of the Company's net worth) (any such nonexcluded event being herein called a "Special Dividend"), the Option Exercise Price shall be adjusted by multiplying the Option Exercise Price then in effect by a fraction, the numerator of which shall be the then current market price of the Common Stock (defined as the average for the thirty consecutive business days immediately prior to the record date of the daily closing price of the Common Stock as reported by the principal exchange or market on which the Common Stock is listed) less the fair market value (as determined by the Company's Board of Directors) of the evidences of indebtedness, securities or property, or other assets issued or distributed in such Special Dividend applicable to one share of Common Stock and the denominator of which shall be such then current market price per share of Common Stock. An adjustment made pursuant to

this Subsection 3(a) shall become effective immediately after the record date of any such Special Dividend.

b) In case the Company shall hereafter (i) pay a dividend or make a distribution on its capital stock in shares of Common Stock, (ii) subdivide its outstanding shares of Common Stock into a greater number of shares, (iii) combine its outstanding shares of Common Stock into a smaller number of shares or (iv) issue by reclassification of its Common Stock any shares of capital stock of the Company, the Option Exercise Price shall be adjusted so that the Holder of any Option upon the exercise hereof shall be entitled to receive the number of shares of Common Stock or other capital stock of the Company which he would have owned immediately prior thereto. An adjustment made pursuant to this Subsection 3(b) shall become effective immediately after the record date in the case of a dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or reclassification. If, as a result of an adjustment made pursuant to this Subsection 3(b), the Holder of any Option thereafter surrendered for exercise shall become entitled to receive shares of two or more classes of capital stock or shares of Common Stock and other capital stock of the Company, the Board of Directors (whose determination shall be conclusive and shall be described in a written notice to the Holder of any Option promptly after such adjustment) shall reasonably determine the allocation of the adjusted Option Exercise Price between or among shares of such classes or capital stock or shares of Common Stock and other capital stock.

c) In case of any capital reorganization or reclassification, or any consolidation or merger to which the Company is a party other than a merger or consolidation in which the Company is the continuing corporation, or in case of any sale or conveyance to another entity of the property of the Company as an entirety or substantially as an entirety, or in the case of any statutory exchange of securities with another corporation (including any exchange effected in connection with a merger of a third corporation into the Company), the Holder of this Option shall have the right thereafter to convert such Option into the kind and amount of securities, cash or other property which he would have owned or have been entitled to receive immediately after such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance had this Option been converted immediately prior to the effective date of such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance and in any such case, if necessary, appropriate adjustment shall be made in the application of the provisions set forth in this Section 3 with respect to the rights and interests thereafter of the Holder of this Option to the end that the provisions set forth in this Section 3 shall thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares of stock or other securities or be, in relation to any shares of stock or other securities or property thereafter deliverable on the conversion of this Option. The above provisions of this Subsection 3(c) shall similarly apply to successive reorganizations, reclassifications, consolidations, mergers, statutory exchanges, sales or

conveyances. The issuer of any shares of stock or other securities or property thereafter deliverable on the conversion of this Option shall be responsible for all of the agreements and obligations of the Company hereunder. Notice of any such reorganization, reclassification, consolidation, merger, statutory exchange, sale or conveyance and of said provisions so proposed to be made, shall be mailed to the Holders of the Options not less than 10 days prior to such event. A sale of all or substantially all of the assets of the Company for a consideration consisting primarily of securities shall be deemed a consolidation or merger for the foregoing purposes.

d) No adjustment in the Option Exercise Price shall be required unless such adjustment would require an increase or decrease of at least $0.05 per share of Common Stock; provided, however, that any adjustments which by reason of this Subsection 3(d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; provided further, however, that adjustments shall be required and made in accordance with the provisions of this Section 3 (other than this Subsection 3(d)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the Holder of this Option or Common Stock issuable upon exercise hereof. All calculations under this Section 3 shall be made to the nearest cent. Anything in this Section 3 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Option Exercise Price, in addition to those required by this Section 3, as it in its discretion shall deem to be advisable in order that any stock dividend, subdivision of shares or distribution of rights to purchase stock or securities convertible or exchangeable for stock hereafter made by the Company to its shareholders shall not be taxable.

e) Whenever the Option Exercise Price is adjusted as provided in this Section 3 and upon any modification of the rights of a Holder of Options in accordance with this Section 3, the Company shall promptly obtain, at its expense, a certificate of a firm of independent public accountants of recognized standing selected by the Board of Directors (who may be the regular auditors of the Company) setting forth the Option Exercise Price and the number of Option Shares after such adjustment or the effect of such modification, a brief statement of the facts requiring such adjustment or modification and the manner of computing the same and cause copies of such certificate to be mailed to the Holders of the Options.

f) If the Board of Directors of the Company shall declare any dividend or other distribution with respect to the Common Stock, other than a cash distribution out of earned surplus, the Company shall mail notice thereof to the Holders of the Options not less than 10 days prior to the record date fixed for determining shareholders entitled to participate in such dividend or other distribution.

4. Fully Paid Stock, Taxes.

The Company agrees that the shares of the Common Stock represented by each and every certificate for Option Shares delivered on the exercise of this Option shall, at the time of

such delivery, be validly issued and outstanding, fully paid and nonassessable, and not subject to pre-emptive rights, and the Company will take all such actions as may be necessary to assure that the par value or stated value, if any, per share of the Common Stock is at all times equal to or less than the then Option Exercise Price. The Company further covenants and agrees that it will pay, when due and payable, any and all Federal and state stamp, original issue or similar taxes which may be payable in respect of the issue of any Option Share or certificate therefor.

5. Transferability.

Subject to compliance with federal and applicable state securities laws and the provisions of Section 13, the Holder of any Option may, prior to exercise or expiration thereof, surrender such Option at the principal office of the Company for transfer or exchange. Within a reasonable time after notice to the Company from a registered Holder of its intention to make such exchange and without expense (other than transfer taxes, if any) to such registered Holder, the Company shall issue in exchange therefor another Option or Options, in such denominations as requested by the registered Holder, for the same aggregate number of Option Shares so surrendered and containing the same provisions and subject to the same terms and conditions as the Option(s) so surrendered. The Company may treat the registered Holder of this Option as he or it appears on the Company's books at any time as the Holder for all purposes. The Company shall permit any Holder of a Option or his duly authorized attorney, upon written request during ordinary business hours, to inspect and copy or make extracts from its books showing the registered holders of Options. All options issued upon the transfer or assignment of this Option will be dated the same date as this Option, and all rights of the Holder thereof shall be identical to those of the Holder.

6. Loss, etc., of Option.

Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Option, and of indemnity reasonably satisfactory to the Company, if lost, stolen or destroyed, and upon surrender and cancellation of this Option, if mutilated, the Company shall execute and deliver to the Holder a new Option of like date, tenor and denomination.

7. Option Holder Not Shareholders.

Except as otherwise provided herein, this Option does not confer upon the Holder any right to vote or to consent to or receive notice as a shareholder of the Company, as such, in respect of any matters whatsoever, or any other rights or liabilities as a shareholder, prior to the exercise hereof.

8. Communication.

No notice or other communication under this Option shall be effective unless, but any notice or other communication shall be effective and shall be deemed to have been given if, the same is in writing and (i) is personally delivered, (ii) five days after such written material is

mailed by first-class mail, postage prepaid, or (iii) one day after such written material is sent by a nationally recognized overnight courier, addressed to:

a) the Company at 505 University Avenue, Suite 1400, Toronto, Ontario M5G 1X3, Canada, Attn: Phillip DeZwirek or such other address as the Company has designated in writing to the Holder; or

b) the Holder at 505 University Avenue, Suite 1400, Toronto, Ontario M5G 1X3, Canada, or such other address as the Holder has designated in writing to the Company.

9. Headings.

The headings of this Option have been inserted as a matter of convenience and shall not affect the construction hereof.

10. Withholding.

The Holder acknowledges that, upon any exercise of this Option, the Company shall have the right to require the Holder to pay to the Company an amount equal to the amount the Company is required to withhold as a result of such exercise for federal and state income tax purposes.

11. Applicable Law.

This Option shall be governed by and construed in accordance with the law of the State of New York without giving effect to the principles of conflicts of law thereof.

12. Securities Law Compliance.

The exercise of all or any parts of this Option shall only be effective at such time as counsel to the Company shall have determined that the issuance and delivery of Common Stock pursuant to such exercise will not violate any state or federal securities or other laws. Holder may be required by the Company, as a condition of the effectiveness of any exercise of this Option, to agree in writing that all Common Stock to be acquired pursuant to such exercise shall be held, until such time that such Common Stock is registered or exempt from registration and freely tradable under applicable state and federal securities laws, for Holder's own account without a view to any further distribution thereof, that the certificates for such shares shall bear an appropriate legend to that effect and that such shares will be not transferred or disposed of except in compliance with applicable state and federal securities laws.

13. Nontransferability.

Except as otherwise agreed to by the Company, during the lifetime of Holder, this Option shall be exercisable only by Holder or by the Holder's guardian or other legal representative,

and shall not be assignable or transferable by Holder, in whole or in part, other than by will or by the laws of descent and distribution.

14. Scope of Agreement.

This Agreement shall bind and inure to the benefit of the Company and its successors and assigns and Holder and any successor or successors of Holder permitted by Section 13 above.

IN WITNESS WHEREOF, CECO Environmental Corp. has caused this Option to be signed by its Chairman, as of this 5th day of October, 2001.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Name: Phillip DeZwirek
Title: Chairman and Chief Executive Officer

SUBSCRIPTION

The undersigned, _____, pursuant to the provisions of the foregoing Option, hereby agrees to subscribe for and purchase shares of the Common Stock of CECO Environmental Corp. covered by said Option, and makes payment therefor in a manner specified in the Option in full at the price per share provided by said Option.

Dated: Signature:

Address:

ASSIGNMENT

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____ the foregoing Option and all rights evidenced thereby, and does irrevocably constitute and appoint _____, attorney, to transfer said Option on the books of _____.

Dated: Signature:

Address:

PARTIAL ASSIGNMENT

FOR VALUE RECEIVED _____ hereby assigns and transfers unto _____ the right to purchase _____ shares of the Common Stock of CECO Environmental Corp. by the foregoing Option, and a proportionate part of said Option and the rights evidenced hereby, and does irrevocably constitute and appoint attorney, to transfer that part of said Option on the books of _____.

Dated: Signature:

Address:

CASHLESS EXERCISE SUBSCRIPTION

The undersigned _____ pursuant to the provisions of the foregoing Option, hereby agrees to subscribe to that number of shares of Common Stock of CECO Environmental Corp. as are issuable in accordance with the formula set forth in paragraph l(b) of the Option, and makes payment therefore in full by surrender and delivery of this Option.

Dated: Signature:

Address:

Exhibit 10.45

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the "Agreement") made and entered into this 31st day of December 2001 by and between BELFIBER, CO., a Virginia corporation, (the "Buyer") and AIR PURATOR CORPORATION, a Delaware corporation (the "Seller").

WITNESSETH:

WHEREAS, Seller is engaged in the manufacturing of nonwoven fabric filter products (the "Business"); and

WHEREAS, Seller wishes to sell and transfer to Buyer certain assets, properties and business of Seller and to retain certain of its assets and liabilities pursuant to and in accordance with the terms and conditions of this Agreement; and

WHEREAS, Buyer wishes to acquire certain assets, properties and business of the Seller, pursuant to and in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the promises and mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby mutually agree as follows:

1. Purchase and Sale of Assets. At the Closing, as hereinafter defined, Seller shall sell, assign, transfer and deliver to Buyer all right, title and interest of Seller in and to the following:

a) any and all rights Seller possesses with regard to the name "Air Purator Corporation";

b) any and all inventory, including, but not limited to, finished goods, work-in process, raw materials, supplies and other materials (collectively, the "Inventory") possessed by Seller, as such Inventory exists (determined in accordance with Section 6 hereof) as of the Closing ;

c) the intellectual property owned by Seller and specified on Exhibit 1 attached hereto and made a part hereof;

d) to the extent transferable, all approvals, permits, product licenses and other governmental authorizations and approvals (federal, state and local) relating to the Assets, as such items are specified on Exhibit 1;

e) Seller's customer list, as specified on Exhibit 1; and

f) certain fixed assets, as specified on Exhibit 1.

(collectively the "Assets").

Subject to the terms and conditions of this Agreement, Seller shall sell, assign, transfer and deliver the Assets to Buyer, and Buyer shall purchase the Assets, for the consideration set forth in Section 4 below.

2. Excluded Assets. The Assets shall exclude any and all assets owned or used by Seller that are not specifically identified in Section 1 above on Exhibit 1.

3. Liabilities and Obligations to be Assumed Prior to Closing. Except as set forth on Exhibit 2 attached hereto and made a part hereof, Buyer shall not assume, pay or discharge, and shall not be liable for, any debts, obligations, responsibilities or liabilities of Seller, or any claim, action or suit relating thereto, whether now existing or hereafter arising, known or unknown, contingent or absolute, relating to or arising from the period prior to the Closing, including, by way of example only and not in limitation thereof, Seller's liabilities in connection with any of Seller's contractual obligations; Seller's account payables; Seller's tax liabilities of any kind or nature whatsoever; or any liabilities of Seller of any other kind or description whether accrued, absolute, contingent or otherwise (collectively the "Liabilities"). Seller shall remain fully and completely liable for all of Liabilities. From and after the Closing, Buyer shall be solely responsible for any and all debts, obligations, responsibilities and liabilities relating to or arising from the Assets or the business related thereto.

4. Purchase Price. In consideration of the sale, assignment, transfer and delivery to Buyer of the Assets, and as payment in full therefore, subject to the adjustment provisions of Section 7 hereof, and upon the terms and subject to the conditions contained in this Agreement, Buyer shall pay to Seller the sum of Four Hundred and Seventy-Five Thousand Dollars ($475,000) (the "Purchase Price") for the Assets. Three Hundred and Seventy-Five Thousand Dollars ($375,000) of the Purchase Price shall be paid in cash or by debt instrument at the Closing. Buyer shall execute a promissory note in the form attached hereto as Exhibit 3 (the "Note") for the balance of the Purchase Price.

5. Payment of Purchase Price. At the Closing, Buyer shall pay any cash portion of the Purchase Price to Seller by wire transfer in immediately available funds, and shall deliver any and all debts instruments, including but not limited to the Note, to Seller. Any additional Purchase Price required to be paid pursuant to Section 7 hereof shall be paid in accordance therewith.

6. Determination of Inventory. The quantity and valuation of the Inventory shall be determined as follows:

a) The value of the Inventory as of the Closing shall be determined from the books and records of the Seller. A physical inventory shall be taken on December 29, 2001 and the books and records of the Seller shall be adjusted to reflect the actual Inventory quantities as of such date (the "Physical Inventory Amount"). The Physical Inventory Amount shall be valued in accordance with paragraph (c) of this Section 6. Seller's representatives at Seller's expense shall conduct such physical inventory jointly with Buyer' s representatives at Buyer's expense.

b) The Physical Inventory Amount shall be adjusted at close of business on the date of the Closing to reflect any incoming receipts or outgoing shipments that occurred between

the physical inventory and close of business on the date of Closing (the "Final Inventory Amount"). The books and records of the Seller shall be adjusted to reflect the Final Inventory Amount. The Final Inventory Amount shall be valued in accordance with paragraph (c) of this Section 6. The Final Inventory Amount will be reflected on a "Final Inventory Statement".

c) The Physical Inventory Amount and Final Inventory Amount reflected on the Final Inventory Statement shall be determined in accordance with generally accepted accounting principles, as applied by Seller ("GAAP").

d) Any disagreement regarding the quantity or value of the Inventory, or both, shall be resolved in the manner and at the time described in Section 7 (b) hereof.

7. Post Closing Adjustment.

a) The Purchase Price will be adjusted dollar for dollar following the Closing to the extent that the Final Inventory Amount shown upon the Final Inventory Statement differs from $150,000 (the "Reference Amount"). Buyer and Seller will jointly prepare the Final Inventory Statement in the manner set forth in Section 6 above.

b) If Buyer and Seller are unable to agree on the Final Inventory Statement within thirty (30) days after the Closing, then any dispute regarding the Final Inventory Statement will be resolved by an accounting firm mutually acceptable to both parties or, in the absence of agreement, by an accounting firm of national reputation selected by lot after eliminating Seller's and Buyer's principal outside accountants. The determination by the accounting firm so selected of the Final Inventory Statement and the Final Inventory Amount shall be conclusive and binding upon the parties. The fees and expenses of such accounting firm in acting under this Section 7 (b) shall be shared equally by Buyer and Seller.

c) If the Reference Amount is greater than the Final Inventory Amount, then Seller shall pay to Buyer an amount equal to the difference. If the Reference Amount is less than the Final Inventory Amount, then Buyer shall pay to Seller an amount equal to the difference. Payment shall be made by the party obligated to make such payment not more than five (5) business days following the determination of the Final Inventory Amount pursuant to Section 7 (a) hereof. Such payment shall bear interest from the date of Closing to the date of payment at an interest rate equal to six percent (6%) per annum.

8. Closing.

a) The Closing shall take place at the offices of Seller or its counsel on December 31, 2001, or in any other manner or any other place as the parties may hereafter agree (the "Closing").

b) If the Closing does not occur on or before December 31, 2001, this Agreement shall terminate and be of no force and effect and neither Buyer nor Seller shall have any obligation hereunder, except as otherwise specifically set forth herein.

9. Collections. Buyer will exercise its best efforts in assisting Seller in the collection and settling of the Seller's accounts receivable (the "Accounts"). In the event that Buyer

receives any payments on the Accounts, Buyer agrees to hold said payments in trust for Seller and to forward said payments to Seller within ten (10) days of receipt thereof.

10. Buyer's Handling of Unfilled Orders. At the Closing, there shall exist certain purchase orders received by Seller prior to Closing which have not been filled (the "Unfilled Orders"). A list of the Unfilled Orders is attached hereto as Exhibit 4.

a) Within sixty (60) days of Closing, Buyer shall fulfill, bill and ship all products which were required to be provided by Seller under Unfilled Orders.

b) When fulfilling the Unfilled Orders, Buyer shall provide the customers with Buyer's billing information for the remittance of payments due thereon.

c) Buyer shall hold in trust for Seller all payments received on the Unfilled Orders and forward said payments less the cost of fulfilling the Unfilled Orders to Seller within ten (10) days of receipt thereof. Buyer shall prepare and delivery to Seller with said payments a statement detailing the fulfillment costs associated with each Unfilled Order. Seller shall be responsible for any commissions owned with respect to the Unfilled Orders.

d) For the purposes of this Section, the term "Unfilled Orders" shall apply only to those purchase orders received by Seller on or before the Closing, but not yet filled as of the Closing or, if partially filled, then only to the extent not yet filled as of the Closing.

11. Earn-Out. The parties shall adjust the Purchase Price of the Assets based on the gross revenue ("Gross Revenue"), as determined by GAAP, for the calendar year 2002, of the Buyer's operation of the Business (the "Earn-Out") under the following terms and conditions:

a) Payment Calculation. For each dollar of Gross Revenue of the Business for the calendar year 2002 in excess of One Million Three Hundred and Fifty Thousand Dollars ($1,350,000) (the "Baseline"), Seller shall receive 10% of each such dollar.

By way of an example only, if the Gross Revenue in 2002 is $2,000,000, the Seller would receive an Earn-Out payment of $65,000 (($2,000,000-$1,350,000) * 10%)).

b) Determination of Gross Revenue.

(i) Buyer will prepare and deliver financial statements, including a statement of operations of the Business (the "Income Statement") for year ended December 31, 2002 by February 28, 2003. The Income Statement shall be prepared in accordance with GAAP and will contain a calculation of Gross Revenue for such period. Buyer will give Seller's representatives access to its books and records and to the appropriate personnel of Buyer for purposes of confirming the Income Statement and the calculation of Gross Revenue. Unless Seller notifies Buyer, in writing, that it disagrees with the Income Statement and the calculation of Gross Revenue within thirty (30) days after receipt thereof, the Income Statement and the calculation of Gross Revenue shall be conclusive and binding on Buyer and Seller.

(ii) If Seller disagrees with Buyer's calculation of Gross Revenue for the Business for the year ended December 31, 2002 and notifies Buyer in writing of its disagreement with said calculation within thirty (30) days of its receipt of the Income Statement and calculation of Gross Revenue, then Buyer and Seller shall attempt to resolve their differences with respect thereto within thirty (30) days after Buyer's receipt of Seller's written notice of disagreement. Any dispute regarding the Income Statement not resolved by Buyer and Seller within such 30-day period will be resolved by an accounting firm mutually acceptable to both parties or, in the absence of agreement, by an accounting firm of national reputation selected by lot after eliminating Seller's and Buyer's principal outside accountants. The determination by the accounting firm so selected of such Gross Revenue shall be conclusive and binding upon the parties. Buyer and Seller shall share the fees and expenses of such accounting firm in acting under this Section 11(b) equally.

c) Payment Terms. If the Buyer is obligated to make a payment pursuant to this Section 11, to the Seller, Buyer shall execute a promissory note substantially similar to the note contained in Exhibit 5 attached hereto and made a part hereof and make payments according to the terms thereof.

12. Representations and Warranties of Seller. Seller hereby represents and warrants as follows:

a) Corporate.

(i) Seller is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all corporate power and authority to own or lease its properties and to carry on the Business as presently conducted.

(ii) Seller has the requisite power to own the Assets and the right and power to sell, assign, transfer, convey and deliver the Assets to Buyer. All consents, approvals, authorizations and orders (corporate, governmental or otherwise) necessary for the due authorization, execution and delivery by Seller of this Agreement and the valid delivery of the Assets have been obtained or will be obtained prior to the Closing.

(iii) This Agreement and the other documents delivered at the Closing have been duly executed and delivered and are the lawful, valid and legally binding obligations of Seller enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, insolvency, rearrangement, reorganization or similar debtor relief legislation affecting the rights of creditors generally and subject to the application of general principles of equity. The execution and delivery of this Agreement will not result in a default under or a breach of (i) the charter or bylaws of Seller, (ii) any contract, agreement or other instrument to which the Seller or the Business are a party, (iii) any regulation, order, writ, decree or judgment of any court or governmental agency, or (iv) any law applicable to Seller or the Business and will

not restrict the ability of Buyer to use or dispose of the Assets. Seller has obtained each consent or approval by notice from any third party required on the part of Seller in connection with the execution and delivery by Seller of this Agreement or the consummation by Seller of the transaction contemplated hereby.

b) Title to Assets. Except as set forth on Exhibit 6 attached hereto
and made a part hereof, Seller has good title to the Assets, free and clear of any lien, pledge, charge, security interest, encumbrance, option, restriction or other adverse claim thereto. The Assets are being sold to Buyer AS IS, WHERE IS, WITH ALL FAULTS AND WITH NO REPRESENTATION AS TO MERCHANTABILITY, SALEABILITY OR QUALITY.

c) Litigation. There are no actions, suits, proceedings, arbitrations, or investigations pending, or to Seller's best knowledge, threatened, which question the validity of this Agreement or any actions taken or to be taken in connection herewith or the consummation of the transactions contemplated herein.

d) Brokers/ Finders Fee. Seller has not retained any broker or finder in connection with the transactions contemplated herein and is not obligated and has not agreed to pay any brokerage or finder's commission, fee or similar compensation.

13. Representations and Warranties of Buyer. Buyer hereby represents and warrants as follows:

a) Corporate.

(i) Buyer is a corporation duly organized, validly existing and in good standing under the laws of Virginia and has all necessary power and authority to execute and deliver this Agreement, to carry on the businesses in which it is engaged, to own and use the properties owned and used by it, to consummate the transactions contemplated hereby, and perform its obligations hereunder.

(ii) All corporate and other proceedings required to be taken on the part of Buyer, including, without limitation, all action required to be taken by the directors or shareholders of Buyer to authorize Buyer to enter into and carry out this Agreement and to purchase the Assets, have been, or prior to the Closing will be, duly and properly taken. This Agreement has been duly executed and delivered by Buyer and is the valid and binding obligation of Buyer enforceable against it in accordance with its terms, except as enforcement may be limited by equitable principles limiting the right to obtain specific performance or other equitable remedies, or by applicable bankruptcy or insolvency laws and related decisions affecting creditors' rights generally.

b) Litigation. There are no actions, suits, proceedings, arbitrations, or investigations pending, or to Buyer's best knowledge, threatened, which question the validity of this Agreement or any actions taken or to be taken in connection herewith or the consummation of the transactions contemplated herein.

c) Brokers/Finders Fee. Buyer has not agreed or become obligated to pay, and has not taken any action that might result in any person or entity claiming to be entitled to receive, any brokerage commission, finder's fee or similar commission or fee in connection with any of the transactions contemplated hereby.

d) No Consent. No consent, approval, authorization order, filing, registration or qualification of or with any court, governmental authority or third person is required to be made or obtained by Buyer in connection with the execution and delivery of this Agreement by Buyer or the consummation by Buyer of the transactions contemplated hereby.

e) No Interference. Buyer agrees not to undertake, directly or indirectly, any action that will materially adversely affect or interfere with Seller's rights in and obligations to its Accounts and Liabilities.

14. Seller's Conditions to Close. Each and every obligation of Seller under this Agreement is subject to the satisfaction of the following conditions:

a) Each of the representations and warranties of Buyer contained herein shall be true and correct in all material respects as of the Closing.

b) Buyer shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied and complied with by it as of the Closing.

c) No action, suit or proceeding before any court or governmental body pertaining to the Assets or to the transactions contemplated by this Agreement shall have been instituted or threatened as of the Closing.

d) Buyer shall deliver to Seller a true and correct copy of the resolutions of the Buyer's Board of Directors authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated thereby, certified by a duly elected, qualified and acting officer of the Buyer in form and substance satisfactory to the Seller.

e) Buyer shall execute a security agreement in the form attached hereto as Exhibit 7 securing the Note.

f) Buyer shall execute a promissory note in original principal sum of $375,000 for the cash portion of the purchase price (the "$375,000 Note") in the form attached hereto as Exhibit 8.

g) Buyer shall execute a Revolving Promissory Note (the "Revolving Note") in the form attached hereto as Exhibit 9 and Anthony Fanale shall execute a Guaranty of such note in the form attached hereto as Exhibit 10.

h) Buyer shall execute a security agreement in the form attached hereto as Exhibit 11 securing the Revolving Note and the $375,000 Note.

15. Buyer's Conditions to Close. Each and every obligation of Buyer under this Agreement is subject to the satisfaction of the following conditions:

a) Each of the representations and warranties of Seller contained herein shall be true and correct in all material respects as of the Closing.

b) Seller shall have performed, satisfied and complied with all covenants, agreements and conditions required by this Agreement to be performed, satisfied and complied with by it as of the Closing.

c) No action, suit or proceeding before any court or governmental body pertaining to the Assets or to the transactions contemplated by this Agreement shall have been instituted or threatened as of the Closing.

16. Covenant of Seller. Seller shall perform any and all actions and shall execute any and all documents necessary to accomplish the transfer of the Assets, as reasonably requested by Buyer.

17. Covenant of Buyer. Buyer shall perform any and all actions and shall execute any and all documents necessary to accomplish the transfer of the Assets, as reasonably requested by Seller.

18. Covenant Not To Compete.

a) Seller agrees that for a period of Thirty (30) months immediately following the Closing, neither Seller nor any of its related or affiliated entities will directly or indirectly, operate, perform, have any interest in or otherwise be engaged in or concerned with any business which manufactures nonwoven fabric filter products for use in high temperature pulse-jet baghouses. For these purposes, ownership of securities of a company whose securities are publicly traded under a recognized securities exchange not in excess of 5% of any class of such securities shall not be considered to be competition with Buyer.

b) Further, Seller agrees that for Thirty (30) months following the Closing, neither Seller nor any of its related or affiliated entities will induce any of Buyer's employees to terminate his or her relationship with Buyer to work for Seller.

c) Each of Seller and Buyer acknowledges that the restrictions on its activities under this Section 18 are necessary for the reasonable protection of Buyer and constitute a material inducement to Buyer's entering into and performing this Agreement.

19. Indemnification.

a) Indemnification by Seller. Seller agrees to indemnify, defend, protect and hold harmless Buyer from, against and in respect of all liabilities, losses, claims, damages, causes of action, lawsuits, demands, assessments and costs and expenses (including reasonable attorney's fees and disbursements of every kind, nature and description) suffered, sustained, incurred or paid by Buyer in connection with, resulting from or arising out of, directly or indirectly, any breach of any representation or warranty of Seller set forth in this Agreement, or

any agreement executed in connection herewith; or any nonfulfillment of any covenant or agreement on the part of Seller in this Agreement.

b) Indemnification by Buyer. Buyer agrees to indemnify, defend, protect and hold harmless Seller from, against and in respect of all liabilities, losses, claims, damages, causes of action, lawsuits, demands, assessments and costs and expenses (including reasonable attorney's fees and disbursements of every kind, nature and description) suffered, sustained, incurred or paid by Seller in connection with, resulting from or arising out of, directly or indirectly, any breach of any representation or warranty of Buyer set forth in this Agreement, or any agreement executed in connection herewith; or any nonfulfillment of any covenant or agreement on the part of Buyer in this Agreement.

c) Defense of Actions. Each party indemnified pursuant to Sections 19(a) or 19(b) hereof (an "Indemnified Party") will give the indemnitor (the "Indemnitor") written notice of any action or proceeding relating to a claim or loss for which indemnity is sought hereunder within ten (10) business days after any such Indemnified Party shall have had actual notice thereof; provided, however, that failure to give such notice shall not impair the Indemnified Party's rights unless the Indemnitor is actually prejudiced by such failure. The Indemnified Party and the Indemnitor shall work cooperatively to minimize any claim or loss for which indemnity is sought and the Indemnitor shall have ten (10) days after receipt of the aforementioned written notice to cure any breach (to the extent that such breach can be cured) that leads to a request for indemnity. The Indemnitor, at its option and expense, shall be entitled to participate in or direct the defense or settlement of such action, provided the Indemnitor employs counsel reasonably satisfactory to such Indemnified Party; provided that prior to the Indemnitor assuming control of such defense it shall first demonstrate to the Indemnified Party in writing such Indemnitor's financial ability to provide full indemnification to the Indemnified Party with respect to such action, lawsuit, proceeding, investigation or other claim giving rise to such claim for indemnification hereunder and provided further, that:

(i) the Indemnified Party shall be entitled to participate in the defense of such claim and to employ counsel of its choice for such purpose; provided that the fees and expenses of such separate counsel shall be borne by the Indemnified Party other than any fees and expenses of such separate counsel that are reasonably incurred prior to the date Indemnitor effectively assumes control of such defense which, notwithstanding the foregoing shall be borne by the Indemnitor, provided, however, that the Indemnified Party is not responsible for any delay in Indemnitor assuming control of such defense.

(ii) if the Indemnitor shall control the defense of any such claim, the Indemnitor shall obtain the prior written consent of the Indemnified Party before entering into any settlement of a claim or ceasing to defend such claim if, pursuant to or as a result of such settlement or cessation, injunctive or other equitable relief will be imposed against the Indemnitee or if such settlement does not expressly and unconditionally release the Indemnified Party from all liabilities and obligations with respect to such claim, without prejudice.

Such Indemnified Party shall have the right to employ its own counsel in any such case, but the Indemnitor shall not have the right to assume control of such defense and the fees and expenses of such counsel shall be borne by such Indemnified Party in the event (i) the employment of such counsel has been authorized by the Indemnitor, (ii) the Indemnitor fails to defend the claim in a vigorous and time manner, or (iii) such Indemnified Party and counsel selected by the Indemnitor shall reasonably conclude that there are defenses available to the Indemnified Party that are in conflict with those available to the Indemnitor. In the event of any of (i), (ii) or (iii), expenses of counsel employed by such Indemnified Party shall be borne by the Indemnitor.

d) Limitations on Indemnification. No Indemnitor shall be liable to an
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Indemnified Party with respect to violations of the representations and warranties pursuant to Section 19(a) or 19(b) hereof until the total of all claims or losses for breaches of representations and warranties for which indemnity is sought by such Indemnified Party exceeds $50,000 and then only for the amount by which such claims and losses exceed $50,000. In no event shall the maximum aggregate liability of the Seller or Buyer pursuant to Section 19(a) hereof exceed $150,000. For purposes of determining whether there has been a breach of a representation or warranty, the representations and warranties set forth in this Agreement shall be considered without regard to any materiality qualification set forth therein.

e) Other Remedies. The right of an Indemnified Party to be indemnified
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under this Section 19 shall not limit, reduce or otherwise affect, except as expressly provided herein, the rights and remedies of such Indemnified Party with respect to the matters indemnified hereunder. Any indemnification of the Buyer or the Seller pursuant to this Section 19 shall be effected by wire transfer of immediately available funds to an account designated by the Buyer or the Seller, as the case may be, within fifteen (15) days following the determination thereof.

20. Post Closing Covenants. From and after the date of this Agreement, the
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parties covenant, represent and warrant as follows:

a) Continued Assistance. Seller shall refer to Buyer, as promptly as
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practicable, any telephone calls, letters, orders, notices, requests, inquiries and other communications relating to the Business or the Assets.

b) Certain Payments. Following the Closing, Seller shall use
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reasonable efforts to pay and fully discharge all Liabilities within ninety (90) days of Closing.

c) Access to Records. Following the Closing, Seller and Buyer shall
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allow each other access to available books and records of Seller's Business as either shall reasonably request.

21. Remedies.
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a) The rights and remedies provided by this Agreement and at law or equity are cumulative and the use of any one right or remedy by any party does not preclude or waive the right to use any or all other remedies. Such rights and remedies are given in addition to any other rights the parties may have by law, statute or otherwise.

22. Notice. Any notice or demand to be given hereunder by either party
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shall be effected by personal delivery in writing or by certified mail, postage prepaid, return receipt requested, and shall be deemed communicated forty-eight (48) hours after mailing. Mailed notices shall be addressed to the parties as follows:

If to Buyer:	Belfiber, Co. 115 Oakley Street PO Box 597 South Hill, VA 23970 Attn: Anthony Fanale
If to Seller:	Air Purator Corporation 15 Fifth Street, Area B Taunton, Massachusetts 02780
With a Copy to:	Marshall Morris Vice President of Finance and Administration/ Chief Financial Officer CECO Environmental Corporation 3120 Forrer Street Cincinnati, Ohio 45209

or such other address as the parties may indicate by written notice.

23. Arbitration. Any controversy, dispute or claim arising out of, in
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connection with, or in relation to the interpretation, performance or breach of this Agreement, or any amount due hereunder, including, without limitation, any claim based on contract, tort or statute shall be settled, solely and exclusively, by arbitration. Any arbitration pursuant to this Agreement shall be conducted in Cincinnati, Ohio before and in accordance with the then existing Commercial Dispute Resolution Procedures through the American Arbitration Association, using an arbitrator mutually selected by Buyer, and Seller, or applicable from a list of those designated by the American Arbitration Association. Any arbitration shall be final and binding. The findings shall be delivered in a written opinion with findings of fact based on the record. Any judgment upon any interim or final award or order rendered by the arbitrator may be entered by any State or Federal court having jurisdiction thereof. The parties intend that any agreement pursuant hereto to arbitrate be valid, enforceable and irrevocable. Each party in any arbitration proceeding commenced hereunder shall bear such party's own costs and expenses (including expert witness and attorneys' fees) of investigating, preparing and pursuing such arbitration claim.

24. Miscellaneous.

a) All representations and warranties contained herein or made in writing by or on behalf of any party to this Agreement in connection with this Agreement and the provisions of Sections 12, 13, 14, 15, 16, 17,18, 19, 20 and 23 shall survive the Closing of this transaction.

b) This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. No party may assign any of its rights or obligations hereunder without the prior written consent of the other party.

c) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof and supersedes all previous negotiations, commitments and writings.

d) If any provision of this Agreement shall be held unenforceable, invalid or void to any extent for any reason, such provision shall remain in force and effect to the maximum extent allowable, if any, and the enforceability or validity of the remaining provisions of this Agreement shall not be affected thereby.

e) This Agreement may only be amended, modified, superceded or supplemented by a written instrument duly executed by both parties hereto.

f) The failure of any party to enforce any provision of this Agreement shall not be a waiver of any other provision or subsequent breach of the same or any other obligation hereunder.

g) This Agreement may be executed in counterparts each of which will deemed an original but all of which will constitute one and the same instrument. Facsimile signatures shall have the same force and effect as original signatures.

h) The paragraph headings of this Agreement are for reference only and shall not be considered in the interpretation of this Agreement.

i) This Agreement shall be construed in accordance with and governed by the law of the State of Ohio.

IN WITNESS WHEREOF, the parties have executed this Agreement.

AIR PURATOR CORPORATION, a Delaware corporation	BELFIBER, CO., a Virginia corporation
By /s/ Michael J. Meyer	By /s/ Anthony Fanale
Name	Name Anthony Fanale
Its President	Its

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THEY HAVE BEEN ACQUIRED SOLELY FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, HYPOTHECATED OR OTHERWISE DISTRIBUTED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL, SATISFACTORY IN FORM AND SUBSTANCE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT

December 31, 2001

To Purchase ------ Shares of Common Stock of

CECO Environmental Corp., a New York corporation (the "Company")

1. Number of Shares; Exercise Price; Term. This certifies that for good and valuable consideration, receipt and sufficiency of which are hereby acknowledged ("Holder") is entitled, upon the terms and subject to the conditions hereinafter set forth, at any time after December 31, 2001, and at or prior to 11:59 p.m. Central Time, on December 31, 2006 (the "Expiration Time"), but not thereafter, to acquire from the Company, in whole or in part, from time to time, up to ------------------ (-------) fully paid and nonassessable shares (the "Shares") of common stock, $0.011 par value, of the Company ("Common Stock"), at a purchase price of $3.60 per share (the "Exercise Price"). The right to purchase all of the Shares under the Warrant shall vest immediately upon issuance of this Warrant. The number of Shares, type of security and Exercise Price are subject to adjustment as provided herein, and all references to "Common Stock" and "Exercise Price" herein shall be deemed to include any such adjustment or series of adjustments.

2. Exercise of Warrant. The purchase rights represented by this Warrant are exercisable by the Holder, in whole or in part, at any time, or from time to time, prior to the Expiration Time and the Notice of Exercise annexed hereto, all duly completed and executed on behalf of the Holder, at the office of the Company in Toronto, Ontario (or such other office or agency of the Company as it may designate by notice in writing to the Holder at the address of the Holder appearing on the books of the Company) and upon payment of the Exercise Price for the Shares thereby purchased (i) by cash, certified or cashier's check, or wire transfer payable to the Company or (ii) cashless exercise, in which case a Holder shall indicate on the Notice of Exercise that the Holder is exercising this Warrant or a portion thereof by authorizing the Company to withhold from issuance that number of shares of the Common Stock issuable upon such exercise of the Warrant which when multiplied by the Market Price (as defined below) of the Common Stock is equal to the aggregate Exercise Price of this Warrant or the portion being

exercised.). Thereupon, the Holder as the holder of this Warrant, shall be entitled to receive from the Company a stock certificate in proper form representing the number of Shares so purchased, and a new Warrant in substantially identical form and dated as of such exercise for the purchase of that number of Shares equal to the difference, if any, between the number of Shares subject hereto and the number of Shares as to which this Warrant is so exercised.

3. Issuance of Shares. Certificates for Shares purchased hereunder shall be delivered to the Holder within a reasonable time after the date on which this Warrant shall have been exercised in accordance with the terms hereof. All Shares that may be issued upon the exercise of this Warrant shall, upon such exercise, be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges in respect of the issuance thereof (other than liens or charges created by or imposed upon the Holder as the holder of the Warrant or taxes in respect of any transfer occurring contemporaneously or otherwise specified herein). The Company agrees that the Shares so issued shall be and shall for all purposes be deemed to have been issued to the Holder as the record owner of such Shares as of the close of business on the date on which this Warrant shall have been exercised or converted in accordance with the terms hereof. The Company will at all times reserve and keep available, solely for issuance, sale and delivery upon the exercise of this Warrant, such number of Shares, equal to the number of such Shares purchasable upon the exercise of this Warrant.

4. No Fractional Shares or Scrip. No fractional Shares or scrip representing fractional Shares shall be issued upon the exercise of this Warrant. In lieu of any fractional Warrant Share to which the Holder as the holder would otherwise be entitled, the Holder shall be entitled, at its option, to receive either (i) a cash payment equal to the excess of Market Value for such fractional Warrant Share above the Exercise Price for such fractional share (as determined in good faith by the Company) or (ii) a whole Warrant Share if the Holder tenders the Exercise Price for one whole share.

5. No Rights as Shareholders. This Warrant does not entitle the Holder as a holder hereof to any voting rights or other rights as a shareholder of the Company prior to the exercise hereof.

6. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by Holder as the registered holder at the above-mentioned office or agency of the Company, for a new Warrant of substantially identical form and dated as of such exchange. The Company shall maintain at the above-mentioned office or agency a registry showing the name and address of Holder as the registered Holder of this Warrant. This Warrant may be surrendered for exchange or exercise, in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

7. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it, and upon reimbursement to the Company of all reasonable expenses incidental thereto, and upon surrender and cancellation of this Warrant, if mutilated, the Company will

make and deliver a new Warrant of like tenor and dated as of such cancellation and reissuance, in lieu of this Warrant.

8. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday or a Sunday or shall be a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday or a Sunday or a legal holiday.

9. Adjustments of Rights. The purchase price per Share and/or the number of Shares purchasable hereunder are subject to adjustment from time to time as follows:

(a) Merger or Consolidation. If at any time there shall be a merger or a consolidation of the Company with or into another corporation when the Company is not the surviving corporation, then, as part of such merger or consolidation, lawful provision shall be made so that the Holder as the holder of this Warrant shall thereafter be entitled to receive upon exercise of this Warrant, during the period specified herein and upon payment of the aggregate Exercise Price then in effect, the number of shares of stock or other securities or property (including cash) of the successor corporation resulting from such merger or consolidation, to which the Holder as the holder of the stock deliverable upon exercise of this Warrant would have been entitled in such merger or consolidation if this Warrant had been exercised immediately before such merger or consolidation. In any such case, appropriate adjustment shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder as the holder of this Warrant after the merger or consolidation. This provision shall apply to successive mergers or consolidations.

(b) Reclassification, Recapitalization, etc. If the Company at any time shall, by subdivision, combination or reclassification of securities, recapitalization, automatic conversion, or other similar event affecting the number or character of outstanding shares of Common Stock, or otherwise, change any of the securities as to which purchase rights under this Warrant exist into the same or a different number of securities of any other class or classes, this Warrant shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities that were subject to the purchase rights under this Warrant immediately prior to such subdivision, combination, reclassification or other change.

(c) Split, Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall split, subdivide or combine the securities as to which purchase rights under this Warrant exist, the Exercise Price shall be proportionately decreased in the case of a split or subdivision or proportionately increased in the case of a combination.

(d) Common Stock Dividends. If the Company at any time while this Warrant is outstanding and unexpired shall pay a dividend with respect to Common Stock payable in shares of Common Stock, or make any other distribution with respect to Common Stock payable in shares of Common Stock, then the Exercise Price shall be adjusted, from and after the date of determination of the shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately

prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, plus the number of shares of common stock issuable in payment of such dividend or distribution.

10. Adjustment of Number of Shares. Upon each adjustment in the Exercise Price pursuant to Section 9 hereof, the number of Shares purchasable hereunder shall be adjusted, to the nearest whole Share, to the product obtained by multiplying the number of Shares purchasable immediately prior to such adjustment by a fraction (i) the numerator of which shall be the Exercise Price immediately prior to such adjustment, and (ii) the denominator of which shall be the Exercise Price immediately after such adjustment.

11. Notice of Adjustments; Notices. Whenever the Exercise Price or number or type of securities issuable hereunder shall be adjusted pursuant to Sections 9 and 10 hereof, the Company shall issue and provide to the Holder as the holder of this Warrant, within fifteen (15) business days after the event requiring the adjustment, a certificate signed by an officer of the Company setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated and the Exercise Price and number of Shares purchasable hereunder after giving effect to such adjustment.

12. Governing Law. This Warrant shall be binding upon any successors or assigns of the Company. This Warrant shall constitute a contract under the laws of New York and for all purposes shall be construed in accordance with and governed by the laws of said state, without giving effect to the conflict of laws principles.

13. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Holder as the holder hereof.

14. Notice. All notices hereunder shall be in writing and shall be effective (a) on the day on which delivered if delivered personally or transmitted by telecopier with evidence of receipt, (b) one business day after the date on which the same is delivered to a nationally recognized overnight courier service with evidence of receipt, or (c) five business days after the date on which the same is deposited, postage prepaid, in the U.S. mail, sent by certified or registered mail, return receipt requested, and addressed to the party to be notified at the address indicated below for the Company, or at the address for the Holder set forth in the registry maintained by the Company pursuant to Section 6 (which initially shall be as set forth in the last page of this Warrant), or at such other address and/or telecopy and/or to the attention of such other person as the Company or the Holder may designate by ten-day advance written notice. Any notice to the Company shall include a copy sent in the same manner as notices are sent hereunder to Leslie J. Weiss, Sugar, Friedberg & Felsenthal, 30 N. LaSalle, Suite 2600, Chicago, IL 60602.

15. Registration Rights

(a) Piggyback Registration. If, at any time commencing January 1, 2002, and expiring on the Expiration Time, the Company proposes to register any of its securities, not registered on the date hereof, under the Securities Act of 1933 (the "Act") (other than in connection with a merger or pursuant to Form S-4 or Form S-8 or any similar form) it will give written notice by certified or registered mail, at least twenty (20) days prior to the filing of each such registration statement, to the Holders of this Warrant and/or the Shares of its intention to do so. If any of the Holders of the Warrants and/or Shares notify the Company within fifteen (15) 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 Shares the opportunity to have any such 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 persons that made a demand for registration, (c) third, the Shares and other securities requested to be included in such registration pursuant to piggyback registration rights which in the opinion of such underwriter, and if there is no underwriter, the Board of Directors, in good faith, can be sold, pro rata among such persons on the basis of the number of Shares and other securities requested to be registered by such persons, and (d) fourth, other securities requested to be included in such registration.

Notwithstanding the provisions of this Section 15(a), the Company shall have the right at any time after it shall have given written notice pursuant to this Section 15(a) (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.

(b) Covenants of the Company With Respect to Registration.

In connection with any registration under Section 15(a) hereof, the Company covenants and agrees as follows:

(I) The Company shall furnish to the Holder with respect to the Shares registered under the registration statement such number of copies of the registration statement, prospectuses and preliminary prospectuses in conformity with the requirements of the Act and such other documents as the Holder may reasonably request, in order to facilitate the public sale or other disposition of all or any of the Shares by the Holder, provided, however, that the obligation of the Company to deliver copies of prospectuses or preliminary prospectuses to the Holder shall be subject to the receipt by the Company of reasonable assurances from the Holder that the Holder will comply with the applicable provisions of the Act and of such other securities or blue sky laws as may be applicable in connection with any use of such prospectuses or preliminary prospectuses. The Company shall also file such applications and other documents as may be necessary to permit the sale of the Shares to the public during the registration period in those states to which the Company and the holders of the Shares shall mutually agree.

(II) 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 Section 15(a) hereof including, without limitation, the Company's legal and accounting fees, printing expenses, blue sky fees and expenses.

(III) The Company shall indemnify the Holder(s) of the 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, except for losses, claims, damages, expenses or liabilities resulting from, based on or arising out of information included in the registration statement based on written disclosure provided by the Holder(s) to the Company specifically for inclusion in the registration statement.

(IV) In order to provide for just and equitable contribution under the Act in any case in which (i) any Holder of the 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 15(b)(III) hereof provide for indemnification in such case or (ii) contribution under the Act may be required on the part of any Holder of the Shares, or controlling person thereof, then the Company, any such Holder of the 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 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 15(b)(IV) 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 15(b)(IV). 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 15(b)(IV) 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.

(V) The Holder(s) of the 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.

(VI) advise the Holder, promptly after it shall receive notice or obtain knowledge of the issuance of any stop order by the SEC delaying or suspending the effectiveness of the Registration Statement or of the initiation or threat of any proceeding for that purpose; and it will promptly use its reasonable efforts to prevent the issuance of any stop order or to obtain its withdrawal at the earliest possible moment if such stop order should be issued.

(VII) 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.

16. Obligations of Holders. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 15 hereof that each of the selling Holders shall:

(a) Furnish to the Company such information regarding themselves, the 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 or dealers 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 Shares.

(b) The Holder agrees that it will promptly notify the Company of any changes in the information set forth in the registration statement regarding the Holder or its plan of distribution.

(c) Notify the Company, at any time when a prospectus relating to the 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.

17. Transfer. This Warrant may be transferred, in whole or in part, only pursuant to an effective registration statement filed under the Act, or an applicable exemption therefrom as provided in the transfer conditions referred to in the legend endorsed on the first page of this Warrant.

18. Entire Agreement. This Warrant and the form attached hereto contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

19. Market Price. "Market Price" means as to any security the closing price of such security's sales on the principal securities exchange on which such security may at the time be listed, or, if there have been no sales on any such exchange on any day, the average of the highest

bid and lowest asked prices on such exchange at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, on such day, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which "Market Price" is being determined and the 20 consecutive business days prior to such day. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the "Market Price" shall be the fair value thereof without discount for lack of marketability or minority discount determined by the Board of Directors of the Company.

IN WITNESS WHEREOF, CECO Environmental Corp. has caused this Warrant to be executed by its duly authorized officer.

Dated As Of: December 31, 2001
CECO Environmental Corp.,
a New York corporation

By: ----------

Its: ----------

Name, Address and
Social Security Number of Holder:

- ----------

- ----------

- ----------

- ----------

NOTICE OF EXERCISE

To: CECO Environmental Corp.

1. The undersigned hereby elects to purchase _____ shares (the "Shares") of common stock $0.01 par value of CECO Environmental Corp. (the "Company") pursuant to the terms of the attached Warrant, and (check on of the following):

____ tenders herewith payment of the purchase price and any transfer taxes payable pursuant to the terms of the Warrant, together with an investment representation statement in form and substance satisfactory to legal counsel to the Company; or

_____ gives direction to the Company to withhold from issuance a number of Shares issuable upon exercise of the Warrant (or portion thereof) which when multiplied by the Market Price (as defined in the Warrant) of the Shares is equal to the aggregate exercise price of this Warrant (or portion being exercised) and an investment representation statement in form and substance satisfactory to legal counsel to the Company.

2. The Shares to be received by the undersigned upon exercise of the Warrant are being acquired for its own account, not as a nominee or agent, and not with a view to resale or distribution of any part thereof, and the undersigned has no present intention of selling, granting any participation in, or otherwise distributing the same, except in compliance with applicable federal and state securities laws. The undersigned further represents that it does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to such person or to any third person, with respect to the Shares. The undersigned believes it has received all the information it considers necessary or appropriate for deciding whether to purchase the Shares.

3. Please issue a certificate or certificates representing said Shares in the name of the undersigned.

4. Please issue a new Warrant for the unexercised portion of the attached Warrant in the name of the undersigned.

a) _____
Signature

b) _____
Date

Exhibit 21

SUBSIDIARIES OF THE COMPANY

CECO Group, Inc.

CECO Filters, Inc. (subsidiary of CECO Group, Inc.)

Kirk & Blum Manufacturing Company (subsidiary of CECO Group, Inc.)

kbd/Technic, Inc. (subsidiary of CECO Group, Inc.)

CECO Abatement Systems, Inc. (subsidiary of CECO Group, Inc.)

Air Purator Corporation (subsidiary of CECO Filters, Inc.)

New Busch Co., Inc. (subsidiary of CECO Filters, Inc.)

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report dated March 27, 2002 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, 2001.

/s/ MARGOLIS & COMPANY P.C.

Certified Public Accountants

Bala Cynwyd, PA
March 27, 2002