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

FORM 8-K/A
Amendment No. 1

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 29, 2008

CECO ENVIRONMENTAL CORP.
(Exact Name of registrant as specified in its charter)

Delaware	**0-7099**	**13-2566064**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

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

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

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

CECO Environmental Corp. ("CECO" or the "Company) filed a report on Form 8-K on March 3, 2008 (the "March 8-K") to report the completion of its acquisition of substantially all of the assets of Fisher-Klosterman, Inc. In response to parts (a) and (b) of Item 9.01 of such Form 8-K, CECO stated that it intended to file the required financial statements and pro forma financial information within the time period permitted by Item 9.01. By this amendment to the March 8-K, CECO is providing the required financial statements and pro forma financial information. The information previously reported in the March 8-K is hereby incorporated by reference into this Form 8-K/A.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this filing contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in CECO's filings with the Securities and Exchange Commission. CECO disclaims any obligation to update or revise statements contained in this filing based on new information or otherwise.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The audited financial statements of Fisher-Klosterman, Inc. as of December 31, 2007 and for the year then ended are being filed as Exhibit 99.1 to this Form 8-K/A and are incorporated herein by reference.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined balance sheet as of December 31, 2007 and the unaudited pro forma condensed combined statement of income for the year ended December 31, 2007, are being filed as Exhibit 99.2 to this Form 8-K/A and are incorporated herein by reference.

(d) Exhibits.

Exhibit Number	Exhibit Title
2.1	Asset Purchase Agreement (attached as Exhibit 2.1 to CECO's Report on Form 8-K filed on March 3, 2008, and incorporated herein by reference).
23.1	Consent of Mather & Co. CPAs, LLC.
99.1	Financial Statements of Fisher-Klosterman, Inc. as of December 31, 2007and for the year then ended.
99.2	Unaudited pro forma combined financial statements.

Signatures

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

Date: May 5, 2008

CECO ENVIRONMENTAL CORP.

By: /s/ Dennis W. Blazer

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

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-130294 on Form S-3 and Registration Statement Nos. 333-33270 and 333-143527 on Forms S-8 of our report dated March 7, 2008 relating to the financial statements of Fisher-Klosterman, Inc. as of and for the year ended December 31, 2007, which is included in this Current Report on Form 8-K/A of CECO Environmental Corp.

/s/ Mather & Co. CPAs, LLC

Louisville, Kentucky
May 5, 2008

Exhibit 99.1

FISHER-KLOSTERMAN, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006
with
REPORT OF INDEPENDENT AUDITORS

CONTENTS

MATHER & COMPANY
Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Fisher-Klosterman, Inc. and Subsidiary

We have audited the accompanying consolidated balance sheets of Fisher-KIosterman, Inc. and Subsidiary as of December 31, 2007 and 2006, and the related consolidated income statements, consolidated statements of stockholders' equity, and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Fisher-Klosterman, Inc. and Subsidiary as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Mather & Co. CPAs, LLC

March 7, 2008

502.429.0800 fax 502.429.6971 www.matherandcompany.com

FISHER-KLOSTERMAN, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

ASSETS

	2007	2006
Current assets		
Cash	**$ 3,250,409**	$ 790,949
Accounts receivable under contracts, net	**5,324,864**	6,175,843
Costs and estimated earnings in excess of billings on uncompleted contracts	**1,285,279**	1,490,424
Inventories, net	**577,202**	582,186
Other	**322,507**	283,433
Total current assets	**10,760,261**	9,322,835
Net property, plant, and equipment	**1,810,039**	1,687,587
Due from Heumann, LLC	**—**	790,052
Other assets		
Goodwill	**876,568**	876,568
Other intangible assets, net of accumulated amortization of $126,554 in 2007 and $116,249 in 2006	**110,634**	111,692
Advances to stockholders	**—**	177,759
Miscellaneous	**39,860**	—
Total other assets	**1,027,062**	1,166,019
Assets of discontinued operations	**—**	782,919
Total assets	**$ 13,597,362**	$ 13,749,412

See accompanying notes.

LIABILITIES AND STOCKHOLDERS' EQUITY

	2007	2006
Current liabilities		
Revolving line-of-credit	**$ 3,570,000**	$ —
Due to Heumann, LLC	**448,224**	—
Current maturities of bonds payable	**—**	59,400
Current maturities of notes payable	**303,510**	368,844
Current obligations under capital leases	**4,142**	31,845
Accounts payable	**2,950,351**	3,922,321
Billings in excess of costs and estimated earnings on uncompleted contracts	**2,192,365**	2,329,230
Accrued subcontractor costs	**1,589,448**	1,618,160
Accrued bonuses	**850,000**	250,000
Other accrued expenses	**669,754**	660,122
Total current liabilities	**12,577,794**	9,239,922
Long-term liabilities		
Revolving line-of-credit	**—**	732,000
Long-term maturities of bonds payable	**—**	277,200
Long-term maturities of notes payable	**48,021**	351,178
Subordinated note payable to stockholder	**465,000**	465,000
Total long-term liabilities	**513,021**	1,825,378
Liabilities of discontinued operations	**—**	129,605
Total liabilities	**13,090,815**	11,194,905
Commitments		
Stockholders' equity		
Common stock, $10 par value; 5,000 shares authorized; 3,168 and 3,520 shares issued and outstanding as of December 31, 2007 and 2006, respectively	**31,680**	35,200
Additional paid-in capital	**—**	799,915
Retained earnings	**474,867**	1,719,392
Total stockholders' equity	**506,547**	2,554,507
Total liabilities and stockholders' equity	**$ 13,597,362**	$ 13,749,412

FISHER-KLOSTERMAN, INC. AND SUBSIDIARY

CONSOLIDATED INCOME STATEMENTS
Years ended December 31, 2007 and 2006

	2007	2006
CONTINUING OPERATIONS		
Revenue under contracts	**$35,323,304**	$28,062,391
Cost of revenue under contracts	**26,774,150**	20,736,715
Gross profit	**8,549,154**	7,325,676
Selling, general, and administrative expenses	**7,075,518**	5,300,027
Income from continuing operations before other income (expense) and provision for state and local income taxes	**1,473,636**	2,025,649
Other income (expense)		
Interest expense	**(178,335)**	(204,232)
Interest income	**34,840**	3,155
Bad debts, net of recoveries	**(14,213)**	(10,574)
Reversal of impairment loss on investment in FKBS	**—**	102,865
Divestiture expenses (Note 14)	**(257,071)**	—
Miscellaneous income (expense), net	**(1,230)**	80,117
Other income (expense), net	**(416,009)**	(28,669)
Income from continuing operations before provision for state and local income taxes	**1,057,627**	1,996,980
Provision for state and local income taxes	**36,960**	110,116
Income from continuing operations	**1,020,667**	1,886,864
DISCONTINUED OPERATIONS		
Revenue	**1,100,312**	1,775,752
Cost and expenses	**1,224,439**	1,753,594
(Loss) income from discontinued operations, net of state and local income tax expense of $1,465 for 2006	**(124,127)**	22,158
Net income	**$ 896,540**	$ 1,909,022

See accompanying notes.

FISHER-KLOSTERMAN, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Years ended December 31, 2007 and 2006

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
Balance as of January 1, 2006	$35,200	$ 799,915	$ 790,370	$ 1,625,485
Net income	—	—	1 ,909,022	$ 1,909,022
Distributions to stockholders	—	—	(980,000)	(980,000)
Balance as of December 31, 2006	35,200	799,915	1,719,392	2,554,507
Net income	**—**	**—**	**896,540**	**896,540**
Stock redemption	**(3,520)**	**(799,915)**	**(408,565)**	**(1,212,000)**
Distributions to stockholders	**—**	**—**	**(1,732,500)**	**(1,732,500)**
Balance as of December 31, 2007	**$31,680**	**—**	**$ 474,867**	**$ 506,547**

See accompanying notes.

FISHER-KLOSTERMAN, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Income from continuing operations	**$ 1,020,667**	$ 1,886,864
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	**191,939**	235,318
Provision for bad debts	**6,938**	23,348
Reversal of impairment loss on investment in FKBS	**—**	(102,865)
Increase (decrease) in cash resulting from changes in:		
Accounts receivable under contracts	**812,203**	(750,709)
Costs and estimated earnings in excess of billings on uncompleted contracts	**190,841**	(816,141)
Inventories	**(48,023)**	52,649
Other current assets	**(39,074)**	(13,555)
Other assets	**(39,860)**	—
Accounts payable	**(1,060,743)**	2,643,399
Billings in excess of costs and estimated earnings on uncompleted contracts	**(136,865)**	421,170
Accrued subcontractor costs	**(28,712)**	(730,331)
Accrued expenses	**628,473**	218,010
Net cash provided by continuing operations	**1,497,784**	3,067,157
Net cash provided by (used in) discontinued operations	**255,636**	(93,555)
Net cash provided by operating activities	**1,753,420**	2,973,602
Cash flows from investing activities		
Purchases of property, plant, and equipment	**(199,023)**	(154,266)
Payments for acquisition of 50% interest in FKBS, net of cash acquired	**—**	(73,856)
Other	**(9,250)**	(7,425)
Net cash used in continuing operations	**(208,273)**	(235,547)
Net cash used in discontinued operations	**(12,428)**	—
Net cash used in investing activities	**(220,701)**	(235,547)
Cash flows from financing activities		
Decrease in bank overdraft	**—**	(129,826)
Net borrowings (payments) under revolving line-of-credit agreement	**2,838,000**	(283,000)
Payments on bonds payable	**(61,200)**	(59,400)
Proceeds from issuance of notes payable	**1,225,000**	—
Payments on notes payable	**(388,907)**	(366,234)
Payments under capital lease obligations	**(27,703)**	(36,645)
Stock redemption	**(862,000)**	—
Net advances to Heumann, LLC	**(241,708)**	(80,702)
Advances to stockholders	**—**	(30,000)
Distributions paid to stockholders	**(1,554,741)**	(980,000)
Net cash provided by (used in) continuing operations	**926,741**	(1,965,807)
Net cash provided by discontinued operations	**—**	—
Net cash provided by (used in) financing activities	**926,741**	(1,965,807)
Net increase in cash	**2,459,460**	772,248
Cash at beginning of year	**790,949**	18,701
Cash at end of year	**$ 3,250,409**	**$ 790,949**

See accompanying notes.

1. Nature of business and summary of significant accounting policies

Organization and basis of presentation — The accompanying consolidated financial statements include the accounts and related activity of Fisher-Klosterman, Inc. (FKI) and its wholly-owned subsidiary, Fisher-Kiosterman-Buell Shanghai Co., Ltd (formerly Kentucky Fabrication Co., Ltd) (FKBS) (collectively, the Company). All significant intercompany transactions and accounts have been eliminated from the consolidated financial statements.

During 2007, the Company discontinued the Heimbrock Refractory Services Division (HRS). Accordingly, activity related to discontinued operations has been segregated and reclassified into the "Discontinued Operations" section of the accompanying consolidated income statements and consolidated statements of cash flows. In addition, certain assets and liabilities related to operations discontinued in 2007 were reclassified in the accompanying 2006 consolidated balance sheet. Reclassifications of 2006 activity had no effect on 2006 net income, cash flows, total assets, or total liabilities as previously reported.

Sale of business — As more fully described in Note 14, subsequent to December 31, 2007 the Company sold substantially all of its assets to CECO Environmental Corp.

Nature of business — FKI and FKBS design particle and gas separation equipment, and provide power plant maintenance services and parts. These products and services are provided worldwide. The work is performed under cost plus fee and fixed price contracts. The length of most contracts ranges from three to nine months. The fabrication is primarily subcontracted through various companies in the United States and Canada.

Estimates — Preparation of the consolidated 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 consolidated financial statements. In addition, the reported amounts of revenues and expenses during the reporting period may be affected. The Company's business involves making significant estimates and assumptions in the normal course of business relating to its contracts due to, among other things, the unique nature of most of its projects, duration of its contract cycle, and type of contract. The most significant estimates with regard to these consolidated financial statements relate to the estimating of total forecasted contract revenues, costs, and profits in accordance with accounting for long-term contracts. In the near term, actual results could differ from these estimates and such differences could have a material adverse affect on the Company's financial condition, results of operations, and cash flows.

Revenue and cost recognition — The Company recognizes contract revenue utilizing the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract. This method is used because management considers total cost incurred to be the best available measure of progress on these contracts.

Contract costs include all subcontractor costs, direct material and labor costs, and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation. Selling, general, 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 costs and revenue and are recognized in the period in which the revisions are determined.

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

Accounts receivable under contracts — Credit is extended based on an evaluation of the customer’s financial condition and credit history, and generally collateral is not required. Accounts receivable under contracts are charged-off when management has exhausted collection attempts and concludes the amounts are uncollectible. Recoveries on accounts previously charged-off are recorded when received. Management estimates an allowance for uncollectible receivables through specific identification of known collection problem accounts based on past due status and through the utilization of historical trend information. Receivables are considered past due according to contract terms.

Inventories, net — Inventories, net consist of commonly used materials, supplies, and parts (stated at the lower of cost or market using the first-in, first-out method), and equipment available for lease (carried at cost, net of accumulated depreciation).

***Property, plant, and equipment* —** Net property, plant, and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is provided principally utilizing the straight-line method over the estimated useful lives of the related assets, which range from three to forty years. A significant portion of leasehold improvements are amortized over forty years. These leasehold improvements relate to a building leased from Heumann, LLC (HLLC) (owned by the Company’s majority stockholder) under a month-to-month lease (see Note 10). Equipment purchased under capital lease obligations is stated at the present value of the minimum lease payments at the beginning of the lease term, and related amortization is calculated using the straight-line method over the assets' estimated useful lives or the related lease term, whichever is shorter.

Goodwill — Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of the net assets acquired. Goodwill is evaluated for impairment on an annual basis. The Company's management evaluates goodwill by comparing a division's fair value to its book value, including goodwill. If a division's book value exceeds its fair value, an impairment loss is recognized for the differential. No goodwill impairment loss was recognized during the years ended December 31, 2007 and 2006.

***Shipping* costs** — Shipping costs are expensed as incurred and included in cost of revenue under contracts on the accompanying consolidated income statements.

Income taxes — For income tax purposes, FKI has elected under the lnternal Revenue Code to be taxed as an S corporation. FKBS files its tax return with the People's Republic of China. No provision for federal income taxes has been made in the accompanying consolidated financial statements since such taxes are the responsibility of the Company's stockholders. The Company provides for Kentucky, Pennsylvania, and local income taxes in the accompanying consolidated income statements.

2. Reversal of impairment loss in FKBS

In 2005, FKI invested $135,000 for a 50% interest in FKBS, a venture to operate a fabrication shop in China. As a result of an impairment analysis, management determined the investment was impaired as of December 31, 2005. Accordingly, FKI recorded a $135,000 impairment loss during 2005 and wrote-off the investment balance.

In 2006, FKI purchased the 50% interest held by its joint venture partner for $80,000 plus approximately $58,000 in other costs. As a result, the previously recorded impairment was reversed, and FKI recognized a recovery of approximately $103,000. The purchase price and the previously recorded investment in FKBS were allocated to assets acquired and liabilities assumed based on their estimated fair values.

3. Accounts receivable under contracts, net

Accounts receivable under contracts, net as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Completed contracts	**$ 320,468**	$ 366,281
Contracts in progress	**5,049,066**	5,854,232
Total accounts receivable under contracts	**5,369,534**	6,220,513
Less allowance for doubtful accounts	**44,670**	44,670
Accounts receivable under contracts, net	**$5,324,864**	6,175,843

4. Uncompleted contracts

Costs, estimated earnings, and billings on uncompleted contracts as of December 31, 2007 and 2006 are summarized as follows:

	2007	2006
Costs incurred on uncompleted contracts	**$26,943,881**	$23,819,633
Estimated earnings	**6,518,896**	7,096,018
Total costs incurred and estimated earnings on uncompleted contracts	**33,462,777**	30,915,651
Less billings	**34,369,863**	31,754,457
Net billings in excess of costs and estimated earnings on uncompleted contracts	$ (907,086)	$ (838,806)

Uncompleted contracts are included in the accompanying December 31, 2007 and 2006 consolidated balance sheets under the following captions:

	2007	2006
Cost and estimated earnings in excess of billings on uncompleted contracts	**$ 1,285,279**	$ 1,490,424
Billings in excess of costs and estimated earnings on uncompleted contracts	**(2,192,365)**	(2,329,230)
Net billings in excess of costs and estimated earnings on uncompleted contracts	**$ (907,086)**	$ (838,806)

Backlog represents the amount of revenue the Company expects to realize from contracts in progress as of December 31, 2007. As of December 31, 2007, backlog totaled approximately $12,011,000. In addition, subsequent to December 31, 2007 the Company signed additional contracts totaling approximately $8,534,000 (unaudited).

5. Inventories, net

Inventories, net consist of the following as of December 31, 2007 and 2006:

	2007	2006
Materials, supplies, and parts	**$361,753**	$353,929
Equipment available for lease, net	**215,449**	228,257
Total inventories	**$577,202**	$582,186

6. Net property, plant, and equipment

Net property, plant, and equipment as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Leasehold improvements	**$ 991,486**	$ 894,770
Machinery and equipment	**2,682,947**	2,624,389
Vehicles	**378,468**	364,088
Management information systems	**922,155**	852,189

	2007	2006
Total property, plant, and equipment	**$4,975,056**	$4,735,436
Less accumulated depreciation and amortization	**3,165,017**	3,047,849
Net property, plant, and equipment	**$1,810,039**	**$1,687,587**

Related depreciation and amortization expense from continuing operations totaled $182,831 and $221,012 for the years ended December 31, 2007 and 2006, respectively.

7. Goodwill

The following details the Company's goodwill by division:

	FKBS	Buell Division	Application Division	Total
Balance as of January 1, 2006	$ —	$619,813	$ 118,912	$738,725
Additions	137,843	—	—	137,843
Balance as of December 31, 2006	137,843	619,813	118,912	876,568
2007 activity	**—**	**—**	**—**	**—**
Balance as of December 31, 2007	**$137,843**	**$619,813**	**$ 118,912**	**$876,568**

During the year ended December 31, 2007, goodwill related to the refractory product manufacturing services operation totaling $29,355 was eliminated as part of the discontinued operation.

8. Financing arrangements

Revolving line-of-credit agreement — As of December 31, 2007, the Company has a $3.75 million line-of-credit agreement with a bank. The revolving line-of-credit bears interest at the 30-day LIBOR rate plus 1.5% (effective rate of 6.35% as of December 31, 2007) and requires interest to be paid monthly. The line-of-credit agreement has a maturity date of April 30, 2008.

The revolving line-of-credit agreement is collateralized by substantially all of the Company's assets, is subject to a borrowing base agreement, and is guaranteed by the Company's majority stockholder.

Line-of-credit agreement — The Company has a $1,666,666 line-of-credit agreement with a bank. The line-of-credit bears interest at the 30-day LIBOR rate plus 2.0% (effective rate of 6.85% as of December 31, 2007) and matures in September 2008. The line-of-credit is collateralized by inventory and accounts receivable related to specifically identified international contracts and is guaranteed by the United States Small Business Administration. As of December 31, 2007, there were no borrowings under the line-of-credit.

Notes payable — Notes payable as of December 31, 2007 and 2006 consist of the following:

	2007	2006
Term note payable to bank; variable interest rate (6.35% as of December 31, 2007); monthly principal installments of $27,885 plus interest through September 2008; secured by substantially all Company assets; guaranteed by Company's majority stockholder	**$ 292,110**	$ 626,730
Other	**59,421**	93,292
Total notes payable	**351,531**	720,022
Less current maturities	**303,510**	368,844
Long-term maturities	**$ 48,021**	$ 351,178

The term note payable to bank bears interest at a variable rate based upon the 30-day LIBOR rate plus 1.5%.

The revolving line-of-credit agreement and term note payable to bank contain restrictive covenants under which the Company is obligated. The principal covenants include, but are not limited to, minimum tangible net worth requirements, earnings requirements, and limitations on purchases of property, plant, and equipment. The Company was in violation of certain of these covenants as of December 31, 2007.

Subsequent to December 31, 2007, all Company debt obligations were retired due to the Company's asset sale (see Note 14). All such debt has been presented according to its original maturity schedule on the accompanying consolidated balance sheets.

During 2007, the Company and HLLC entered into two term note obligations totaling $1,225,000. The Company received all proceeds under these term notes. Subsequent to December 31, 2007, HLLC assumed the balance of the Company's term notes and bonds payable obligations. Accordingly, the Company recorded the difference between the liabilities assumed by HLLC and the amount due from HLLC at the date of the exchange as due to Heumann, LLC on the accompanying December 31, 2007 balance sheet.

Subordinated note payable to stockholder — As of December 31, 2007 and 2006, the Company has an unsecured note payable to its majority stockholder. Although the note is due on demand, it is subject to a subordination agreement with the bank. The note bears interest at 12% annually.

9. Stock redemption and discontinued operation

In July 2007, as part of an agreement to discontinue HRS, FKI purchased 352 shares of its outstanding common stock from a former stockholder for $1,212,000.

Concurrently, the former stockholder purchased HRS including inventory totaling approximately $202,000 and equipment with a book value totaling $148,000. The Company retained HRS accounts receivable totaling approximately $250,000 and HRS accounts payable totaling approximately $87,000.

10. Commitments

The Company leases a portion of its facilities from HLLC under a month-to-month operating lease for $5,900 per month. The Company pays for a portion of the facility's maintenance. The Company and HLLC are under common control, and the existence of that control could result in operating results or financial position of the Company significantly different from those that would have been obtained if the entities were autonomous.

The Company also leases laboratory and warehouse facilities under a noncancellable operating lease agreement expiring in 2011. The lease agreement calls for quarterly payments of $1,257.

Additionally, the Company leases office space under a noncancellable operating lease agreement expiring in 2011. The lease agreement calls for annual payments of $41,600 through September 2008 and $42,747 beginning October 2008 through September 2011.

The Company leases a facility under an operating lease agreement through 2010. The lease has two three-year renewal options at a fair market price not to exceed a 5% increase over the existing rent, and calls for monthly payments of $16,666. Either party may terminate the lease by making a payment of two months rent.

Total rental expense was approximately $322,000 and $364,000 for the years ended December 31, 2007 and 2006, respectively, of which approximately $71,000 was paid to Heumann, LLC each year.

Periodically, the Company supplies customers who require letter of credit agreements. As of December 31, 2007, the Company had no outstanding letters of credit.

11. Retirement plan

The Company has a retirement savings trust plan in effect for all full-time eligible FKI employees. The plan contains a deferred salary arrangement under Internal Revenue Code Section 401(k). Under the deferred salary agreement, employees can contribute between 1% and 15% of their annual compensation, and the Company may match the employee contribution at the discretion of its Board of Directors. Matching contributions paid to the plan and charged to operations totaled approximately $38,000 for the years ended December 31, 2007 and 2006.

12. Risks and uncertainties

The Company maintains approximately $3,900,000 in cash deposits at a single financial institution in excess of federally insured limits and at a financial institution that is not federally insured as of December 31, 2007.

13. Supplemental disclosures of cash flow information and noncash investing and financing activities

	2007	2006
Approximate cash paid during the year for interest	**$ 172,000**	$228,000
Approximate cash paid during the year for income taxes	**87,000**	78,000
Approximate allocation of investment in FKBS to various assets and liabilities	**—**	39,000
Approximate amount of assets applied to stock redemption	**350,000**	—
Approximate amount of advances to stockholders reclassified as distributions	**178,000**	—
Reclassification of bonds payable and notes payable as due to Heumann, LLC	**1,479,984**	—

14. Subsequent event

Subsequent to December 31, 2007, the Company sold substantially all of its assets to CECO Environmental Corp. (CECO). During 2007, the Company incurred approximately $257,000 of divestiture expenses related to this sale. A successful closing occurred on February 29, 2008. Effective March 1, 2008, the employees of the Company continue normal operations as employees of the buyer, CECO.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On February 29, 2008, CECO Environmental Corp. (the "Company" or "CECO") acquired the assets of Fisher-Klosterman, Inc. ("FKI"), pursuant to the terms of an Asset Purchase Agreement ("APA") among CECO, FKI, and FKI Acquisition Corp. ("Acquisition"), pursuant to which Acquisition acquired substantially all of FKI's assets and properties used or held for use in connection with the Business (as such term is defined in the APA) and assumed certain liabilities of FKI (the "Asset Purchase"), including the design, manufacture, and servicing equipment for product recovery, dust collection, and air pollution control and any goodwill associated therewith.

The consideration paid by the Company to FKI in the transaction is approximately $22.9 million, consisting of $15.1 million in cash, 98,580 shares of the Company's common stock worth approximately $0.9 million, liabilities assumed of $6.6 million and transaction costs of approximately $0.3 million. The purchase price is subject to adjustment based on final determined values of certain assets and liabilities as of the closing date.

The consideration for the Asset Purchase also includes a three year earn out payment, which is payable in unregistered shares of the Company's common stock. The earn out payment is not to exceed 345,168 shares worth approximately $3.5 million (based on the average closing price of the Company's common stock on the Nasdaq Global Market for the sixty trading days immediately preceding and up to the signing of the APA). The number of shares earned is based on the attainment of specified gross profit amounts for a three year period commencing on the closing date.

The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed at the date of acquisition (dollars in thousands):

Current assets	$ 6,934
Property and equipment	1,800
Intangible assets – finite life	1,570
Intangible assets – indefinite life	800
Goodwill	11,810
Total assets acquired	22,914
Current liabilities assumed	(6,612)
Net assets acquired	$16,302

The unaudited pro forma combined statement of income for the year ended December 31, 2007 has been prepared as if the acquisition had occurred on January 1, 2007. The unaudited pro forma combined balance sheet as of December 31, 2007 has been prepared as if the acquisition had occurred on that date.

The unaudited pro forma combined financial information is provided for informational purposes only. The pro forma information is not necessarily indicative of what the Company's financial position or results of operations actually would have been had the acquisition been completed at the dates indicated. In addition, the unaudited pro forma combined financial information does not purport to project the future financial position or operating results of the Company. No effect has been given in the unaudited pro forma combined statement of income for synergistic benefits that may be realized through the combination of the two companies or the costs that may be incurred in integrating their operations. The unaudited pro forma combined financial statements should be read in conjunction with the respective historical financial statements and notes thereto for the Company that are filed on Form 10-K with the Securities and Exchange Commission and the audited historical financial statements of FKI, which are included as Exhibit 99.1 in this Form 8-K/A.

The following unaudited pro forma combined financial information was prepared using the purchase method of accounting as required by FASB Statement of Financial Accounting Standards No. 141, "Business Combinations". The purchase price has been allocated to the assets acquired and liabilities assumed based upon management's preliminary estimate of their respective fair values as of the date of acquisition. Any differences between the fair value of the consideration issued and the fair value of the assets and liabilities acquired will be recorded as goodwill. The purchase price and fair value estimates for the purchase price allocation may be refined as additional information becomes available.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2007

	Historical		Pro Forma	
	CECO	FKI	Adjustments	Combined
	(Dollars in thousands)			
ASSETS				
Cash and cash equivalents	$ 656	$ 3,250	$ (3,234)(A)	$ 672
Accounts receivable, net	47,736	5,325	—	53,061
Costs and estimated earnings in excess of billings on uncompleted contracts	11,541	1,285	—	12,826
Inventories	4,694	577	—	5,271
Prepaid expenses and other current assets	2,907	323	(248) (A)	2,982
Total current assets	67,534	10,760	(3,482)	74,812
Property and equipment, net	9,284	1,810	—	11,094
Goodwill, net	14,761	877	11,300 (A),(D)	26,938
Intangible assets - finite life, net	1,480	111	1,459 (A),(C)	3,050
Intangible assets - indefinite life	2,095	—	800 (C)	2,895
Deferred charges and other assets	1,381	39	(39) (A)	1,381
	$96,535	$13,597	$ 10,038	$120,170
LIABILITIES AND SHAREHOLDERS’ EQUITY				
Current portion of debt	$ 278	$ 3,878	$ (2,882) (A),(F)	$ 1,274
Due to related party	—	448	(448) (A)	—
Accounts payable and accrued expenses	38,012	6,059	(1,019) (A),(E)	43,052
Billings in excess of costs and estimated earnings on uncompleted contracts	8,024	2,192	—	10,216
Total current liabilities	46,314	12,577	(4,349)	54,542
Other liabilities	2,178	—	—	2,178
Debt, less current portion	4,429	48	14,494 (A),(F)	18,971
Subordinated note payable to stockholder	—	465	(465) (A)	—
Deferred income tax liability	2,688	—	—	2,688
Total liabilities	55,609	13,090	9,680	78,379
Commitments and contingencies				
Shareholders’ equity:				
Preferred stock	—	—	—	—
Common stock	149	32	(23) (A),(G)	158
Capital in excess of par value	40,796	—	856 (G)	41,652
Retained earnings	1,674	475	(475) (A)	1,674
Accumulated other comprehensive loss	(1,337)	—	—	(1,337)
	41,282	507	358	42,147
Less treasury stock, at cost	(356)	—	—	(356)
Total shareholders’ equity	40,926	507	358	41,791
	$96,535	$13,597	$ 10,038	$120,170

See notes to unaudited pro forma combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Income
Year ended December 31, 2007

	Historical		Pro Forma	
	CECO	FKI	Adjustments	Combined
	(Dollars in thousands, except per share data)			
Net sales	$ 235,953	$35,323	$ —	$ 271,276
Costs and expenses:				
Cost of sales, exclusive of items shown separately below	195,548	26,774	—	222,322
Selling and administrative	26,148	6,883	(988) (B)	32,043
Depreciation and amortization	1,623	192	1,057 (C)	2,872
	223,319	33,849	69	257,237
Income from operations	12,634	1,474	(69)	14,039
Other (expense) income	10	(273)	257 (B)	(6)
Interest expense	(1,978)	(143)	(947) (B),(F)	(3,068)
	(1,968)	(416)	(690)	(3,074)
Income before income taxes	10,666	1,058	(759)	10,965
Income tax expense	4,361	37	85 (H)	4,483
Income from continuing operations	6,305	1,021	(844)	6,482
Loss from discontinued operations	—	(124)	124 (B)	—
Net income	$ 6,305	$ 897	$ (720)	$ 6,482
Per share data:				
Basic net income	$ 0.47			$ 0.48
Diluted net income	$ 0.45			$ 0.46
Weighted average number of common shares outstanding:				
Basic	13,456,580		105,084 (G)	13,561,664
Diluted	14,042,324		105,084 (G)	14,147,408

See notes to unaudited pro forma combined financial statements.

Notes to Unaudited Pro Forma Combined Financial Statements
(Dollars in thousands)

(A) Represents the elimination of FKI's equity accounts, as well as assets and liabilities which were excluded from the acquisition.

Assets	
Cash and cash equivalents	$(3,234)
Prepaid expenses and other current assets	(248)
Goodwill	(877)
Intangible assets – finite life	(111)
Deferred charges and other assets	(39)
Liabilities and Shareholders' Equity	
Current portion of debt	(3,878)
Due to related party	(448)
Accounts payable and accrued expenses	(1,302)
Debt, less current portion	(48)
Subordinated note payable to stockholder	(465)
Common stock	(32)
Retained earnings	(475)

(B) Represents the elimination of income statement items related to assets and liabilities not acquired or assumed.

Non-recurring compensation adjustments	$(988)
Other (expense) income – divestiture expenses	(257)
Interest expense	(143)
Loss from discontinued operations	(124)

(C) Represents the preliminary purchase price allocation to intangible assets and the related amortization expense for intangible assets with finite lives.

	Value	One year amortization
Intangible assets – finite life	$900	$ 900
Customer contracts – backlog	500	100
Customer list	170	57
Non-compete agreements		
Intangible assets – indefinite life		
Tradename	800	—

(D) Represents an increase of $12,177 in residual goodwill from the allocation of the purchase price to acquired assets and assumed liabilities as if the acquisition had occurred at December 31, 2007.

(E) Represents an increase of $283 for transactions costs incurred by third parties associated with the acquisition.

(F) Represents the amount of debt (term debt of $5.0 million and revolving debt of $10.5 million) that would have been incurred to finance the acquisition, as if the acquisition had occurred at December 31, 2007. Also represents additional interest expense which would have been associated with the increase in debt bearing an interest rate of LIBOR plus 2.25% for the term debt and LIBOR plus 2.00% for the revolving debt.

Pro Forma Combined Balance Sheet	
Current portion of debt	$ 996
Debt, less current portion	14,542
Pro Forma Combined Statement of Income	
Interest expense	$ (1,090)

(G) Represents common stock issued as consideration for the purchase of FKI, as if the acquisition had occurred on December 31, 2007 and represents incremental basic and diluted weighted average shares as if the acquisition had occurred on January 1, 2007. Pursuant to the Asset Purchase Agreement, the number of common stock issued was the equivalent value of $1 million based on the average closing price of the Company's common stock on the Nasdaq Global Market for the sixty trading days immediately preceding and up to the signing of the Asset Purchase Agreement.

Pro Forma Combined Balance Sheet	
Common stock	$ 9
Capital in excess of par value	856
Pro Forma Combined Statement of Income	
Weighted average number of common shares outstanding:	
Basic	105,084
Diluted	105,084

(H) Represents the adjustment to income tax expense as if the acquisition had occurred at January 1, 2007, using the Company's effective tax rate of 40.9% for the year ended December 31, 2007.