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

Form 10-KSB
Annual Report under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1997

Commission File No. 0-7099

CECO ENVIRONMENTAL CORP.
(Name of Small Business Issuer in Its Charter)

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

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

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

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

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

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

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ___.

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [_X_]

State issuer's revenues for its most recent fiscal year: $14,530,974

Aggregate market value of voting stock held by non-affiliates of registrant (based on the last sale price on March 9, 1998): $13,932,975

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 8,415,048 shares of common stock, par value $0.01 per share, as of March 9, 1998.

Transitional Small Business Disclosure Format: Yes ___ No _X_

PART I

Item 1. Business

CECO Environmental Corp. ("CEC" or the "Company") was incorporated in New York State in 1966. The Company owns 6,274,498 shares of common stock CECO Filters, Inc. ("CECO"), representing 91.36% of CECO's outstanding common stock. The Company has no significant operations nor does it hold any significant assets other than CECO stock. CECO was incorporated July 25, 1985, and commenced operations in August 1985.

For a description of CECO's business and other information regarding CECO, see "CECO Filters, Inc." below.

Recent Developments

In 1997 management at CECO began to concentrate on targeting industrial markets in addition to specialty markets by focusing on adding service components to products offered. The acquisition of the business of Busch Co., described below, which provides engineering services as well as products was part of the strategy. In addition, CECO began in 1997 to focus on offering a facilities management service. The facilities management service combines products and management services using industry leading computer technology. Such service is also known as Computer Aided Facilities Management ("CAMF").

To further implement its new focus, CECO funded U.S. Facilities Management Company, Inc. ("USFM"), a Delaware corporation and a wholly-owned subsidiary of CECO, with approximately an additional $400,000 to test its CAMF service in Phoenix, Arizona. As part of its strategy, CECO in early 1998, entered into an agreement with Western VAR Alliance, which will provide certain skills that USFM lacks. Management plans to standardize the system being used by USFM to allow CECO to use the system in new territories. CECO is also launching an acquisition program to gain such additional geographical territories where such a standardized strategy may be used.

On September 25, 1997, pursuant to an Asset Purchase Agreement, New Busch Co., Inc., a Delaware corporation ("Busch") which is a wholly-owned subsidiary of CECO, acquired certain assets, and all rights and interests of, Busch Co., a Pennsylvania corporation (the "Seller") for a purchase price of $2,100,000 plus acquisition costs. The Seller was engaged in the business of marketing, selling, designing and assembling ventilation, environmental and process-related products, and also provided manufacturer's representative services to certain companies or manufacturers in support of related businesses. Seller's revenues in 1996 were slightly greater than the Company's consolidated revenues in 1996.

The assets and rights Busch acquired include (i) the machinery, fixtures, leasehold improvements, vehicles and equipment of the Seller, (ii) all inventory of the Seller, (iii) all contractual rights of the Seller, including rights to purchase orders, sales orders, contracts-in-process

and similar agreements, (iv) certain items of prepaid expenses, (v) all rights of the Seller in its patents, trademarks, service marks and licenses, (vi) certain real property leasehold interests, (vii) the Seller's goodwill, and (viii) all of the Seller's rights under employment agreements. The consideration was determined by arm's length negotiations between Busch and the Seller. The funds required for the acquisition were obtained using a credit facility established by CECO with CoreStates Bank, N.A. and a loan from CEC. The closing date was September 25, 1997, but was deemed to be effective as of July 1, 1997.

In connection with such acquisition, Busch entered into an Employment, Non-Compete and Confidentiality Agreement with Andrew M. Halapin, the majority stockholder and President of the Seller, pursuant to which Mr. Halapin agreed to be Busch's President and chief operating officer for approximately three years. Included as compensation for Mr. Halapin's services was a $500,000 signing bonus. For a description of Busch's business and other information regarding Busch, see "New Busch Co., Inc." below.

In October of 1997, for ease of administration, CECO transferred the assets of Compliance Systems International, a Delaware corporation and a wholly-owned subsidiary of CECO, to CECO.

On October 1, 1997, the Board of Directors of the Company adopted the CECO Environmental Corp. 1997 Stock Option Plan (the "Plan"). The stock options are intended to qualify as incentive stock options and may be issued to officers, employees, directors, and consultants of the Company and its subsidiaries. One Million, Five Hundred Thousand shares of the Company's stock has been reserved for issuance pursuant to the Plan. As of March 18, 1998, 313,320 options under the Plan have been issued. Adoption of the Plan is subject to the approval of the shareholders of the Company by September 30, 1998. Any incentive stock options granted after adoption of the Plan by the Board of Directors will be treated as nonqualified stock options if shareholder approval is not obtained by September 30, 1998.

CECO Filters, Inc.

CECO Filters, Inc. ("CECO"), a Delaware corporation, is located in Conshohocken, Pennsylvania. CECO manufactures and sells industrial air filters known as fiber bed mist eliminators. The filters are used to trap, collect and remove solid soluble and liquid particulate matter suspended in an air or other gas stream whether generated in a point source emission or otherwise. The principal functions which 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. CECO's filters are used by, among others, the printing, electronics and mining industries; metal refiners; 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.

CECO's filters are typically cylindrical in shape. The cylinder consists of inner and outer cylindrical cages, with filter material placed in the gap between the cages (usually two inches wide). Prior to insertion in the filter, raw filter material is placed in cylindrical molds and heated in an oven. Finished filter material segments are compressed in the gap between the cages. CECO also manufactures small vessels for holding its filters.

CECO 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. CECO also holds a patent for its N-ESTED(R) multiple-bed fiberbed 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.

The air filters typically are mounted vertically in a closed tank with an air inlet for dirty gas and an exhaust for clean flow. The air flow is directed in such a manner that it passes through the outside of the filter to the inside core, or vice versa. After being captured in the filter, liquid particulates drain from the filter and are collected for reuse or removed, as the case may be. Solid soluble particulates can be dissolved in water or other suitable solvents and drained from the filter. Insoluble particles can be removed only by gentle brushing or washing.

CECO's filters range in size from 2 to 20 feet in height and are typically either 16 or 24 inches in diameter. The cages used in CECO's filter assemblies may be stainless steel, carbon steel, titanium or fiberglass mesh. The filter material used in approximately 75% of CECO's 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, polypropelene or ceramic materials. CECO's 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 CECO's 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 CECO for replacement of the filter material, or can be replaced on-site by the customer. CECO 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.

A significant portion of CECO's 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 CECO, subsequent replacement of the filter material can be made on-site by the customer.

During 1997, CECO 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 breakthrough will enable CECO to offer the same units or applications in widely disparate industries with the possibility to reuse the units once the original use is satisfied. It also allows CECO the flexibility to sell or rent the systems. The rental approach allows CECO to reuse the units after cleaning and repacking, resulting in a high return on capital employed.

Air Purator Corporation ("APC"), a wholly owned subsidiary of CECO, is engaged in the manufacture of patented specialty needled fiberglass fabrics. Some of the fabrics are coated to permit their use in certain highly corrosive applications. The fabrics are mainly used in a particulate collection device known as a pulse jet baghouse which is fabricated by a number of companies. Before APC's fabric is placed into the baghouse, the fabric will generally be sewn into a shape resembling a tube closed at one end, called a bag. The bag is then placed in an enclosed cylindrical apparatus known as a bag holder. APC mainly sells its fabrics to the bag fabricator. Other applications include the recovery of valuable materials such as carbon black. There are many domestic and foreign fabricators with which APC deals. Products are uniformly priced for all purchasers through a published price list. APC's flagship product line is known in the field under the Huyglas(R) trade name. Huyglas is patented and is mainly used for high temperature (up to 550oF) service.

During 1996, APC developed a new, felted fiberglass fabric designed to compete with DuPont's Nomex(R). A new, felted fiberglass fabric was developed by APC targeted to compete with DuPont Nomex(R) and other fabrics sold for dust collection in industrial applications. This product will allow CECO to compete for a larger share of the global market for filter fabric media and will add to our established position with the Huyglas(R) trade name.

APC is presently engaged in the development of additional products based on its patented technology. One of its sales personnel is designated as a "Product Champion" and is vigorously pursuing various applications outside of uses traditionally associated with such fabrics. Several new products are currently being tested, but APC is unable to predict whether these efforts will result in the successful development of marketable products.

In October 1997, the assets of Compliance Systems International, a Delaware corporation ("CSI"), a wholly-owned subsidiary of CECO, were moved to CECO. CSI was originally formed by CECO to pursue domestic and foreign environmental service markets and the sale of certain specialty equipment. CECO does, however, maintain use of the name CSI in its operations.

CSI organized the Technology Council (the "Council"), a group of independent consultants that are available to assist on CECO's behalf, CECO's industrial and commercial clients with environmental control options including waste minimization. Members of the

Council are consulted by CECO when a customer hires CECO to address a problem that CECO can not resolve and which falls within such Council member's particular expertise.

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

During the fourth quarter of 1996 CECO formed USFM. USFM provides facilities management and emission control systems, software and outsource monitoring and/or maintenance services to help customers achieve air quality and operational goals. In 1997, CECO funded USFM with $400,000 to test CAMF services in Phoenix, Arizona. This is a component in CECO's new strategy to focus on adding additional service elements to its products.

During 1997, there were no customers which comprised more than 10% of CECO's consolidated net sales. During 1996 and 1995, two customers each comprised more than 10% of CECO's consolidated net sales in each year. Because the demand for CECO's 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 CECO's control, CECO is unable to predict the level of purchases by its largest customers, or any other customer, in the future.

While CECO is exploring targeting larger industrial markets, CECO 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 CECO. In the year ended December 31, 1997, CECO and its subsidiaries continued to develop additional market areas, including storage facility and turbine lube oil vent emission control and their related odor control, new dry particulate emission control and combination scrubber - fiber bed filter systems, while also implementing changes to reach larger industrial markets. In recent years CECO added capabilities to penetrate the semiconductor and printed circuit board markets through its filter technology and its patented scrubbers.

CECO has not been materially impacted by existing government regulation, nor is CECO aware of any probable government regulation that would materially affect its operations. CECO's costs in complying with environmental laws has been negligible. During 1997 and 1996, CECO estimates that $91,803 and $116,979, respectively, has been expended on research and development programs. Such costs are generally included as factors in determining CECO's pricing procedures.

Suppliers

CECO purchases all of its chemical grade fiberglass as needed from Manville Corporation, which CECO believes is the only domestic supplier of such fiberglass. However, there are foreign suppliers of chemical grade fiberglass, and, based on current conditions, CECO

believes that it could obtain such material from foreign suppliers on acceptable terms. CECO believes that there is sufficient supply of raw materials for the other components of its filters and does not anticipate any shortages in the near future.

APC purchases its raw material from a variety of sources and does not anticipate any shortages in the near future. While CECO depends upon two suppliers for certain specialty items, including glass and chemicals, CECO 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 CECO.

Busch purchases a majority of its fans from New York Blower and a majority of its louvers 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.

Backlog

As of December 31, 1997, CECO's backlog of orders was approximately $10,213,816, as compared to approximately $3,700,000 as of December 31, 1996.

Competition and Marketing

Monsanto Corporation is dominant in the fiber bed mist eliminator industry. Monsanto's financial resources are far greater than CECO's, and Monsanto can undertake much more extensive marketing and advertising programs than CECO. Monsanto is also a competitor of Busch. Certain other competitors also have greater financial resources than CECO.

CECO 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. Also, CECO believes that it is the only U.S. manufacturer of fiber bed mist eliminators whose filter material can be replaced on-site by a customer. CECO believes it 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 CECO, 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.

CECO's subsidiaries each face substantial competition. Kirk & Blum is dominant in the air systems design industry and competes with Busch International, a division of Busch. Kirk

& Blum's financial resources are far greater than CECO's. APC and CSI each face competition from other forms of environmental control and material recovery devices including scrubbers and electrostatic precipitators and from other filter fabric media that can also be fabricated into bags for baghouses. These fabrics and fibers include, Teflon(R), Goretex(R), woven fiberglass (both treated and non-treated), polyester, Ryton(R), Nomex(R) and several other fabrics.

CECO's marketing efforts have consisted of telemarketing and direct solicitation of orders from existing customers. CECO is also utilizing direct mail solicitation and selected advertising in trade journals and product guides and trade shows. CECO also utilizes sales representatives located in the United States, Canada and overseas and Special Sales Directors, each focused on specific industries. Busch, in addition to using direct solicitation and some sales representatives, also participates in industrial shows.

Employees

As of March 17, 1998, the Company did not have any full-time employees. CECO and its subsidiaries had 78 full-time employees and 3 part-time employees as of December 31, 1997. None of CECO's employees is currently unionized and CECO considers its relationship with its employees to be satisfactory.

Key Employee

CECO's operations to date have been largely dependent on the efforts of its President, Dr. Steven I. Taub. The loss to CECO of Dr. Taub would have a material adverse effect upon the operations of CECO. CECO has obtained key man life insurance in face amount of $5 million on the life of Dr. Taub in an effort to reduce, to the extent possible, the immediate adverse economic impact to its business that would occur if it were to lose the services of Dr. Taub.

Product Liability Insurance

As of October, 1989 CECO obtained product liability insurance covering its products. The policy excludes environmental liability.

Patents

CECO currently holds one US patent for its N-SERT(R) and X-SERT(R) prefilters. CECO also holds a patent on its N-ESTED(R) multiple bed fiberbed filter and an exclusive world-wide license to the patent on the Catenary Grid Scrubber and the Narrow Gap Venturi Scrubber. APC holds two patents on the Huyglas material. All of the prefilters, the multiple bed units and the Huyglas material have contributed to CECO's performance during 1997. Busch holds an exclusive license to the patent on the JET*STAR strip cooler, strip dryer, coil cooler, and strip blow-off systems. Busch also holds an exclusive license on the patent on the flexible nozzle material used in connection with the JET*STAR systems and the process of using water in

addition to air used in the JET*STAR systems. There is no assurance that measurable revenues will accrue to CECO or its subsidiaries as a result of their patents or licenses.

New Busch Co., Inc.

CECO purchased the business of Busch Co. in September of 1997. Busch Co. had been in business since August of 1947.

Busch is engaged in the business of marketing, selling, designing and assembling ventilation, environmental and process-related products, and providing manufacturer's representative services to certain companies or manufacturers in support or related businesses. Busch consists of three divisions: Busch INTERNATIONAL, Busch MARTEC, and Busch RIG (resource implementation group).

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

Busch INTERNATIONAL is noted as the 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 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, MRV-81, N-DUR-AIR, RE-TREAT,(R) and PCR.

Busch INTERNATIONAL'S Jet*Star strip cooler, strip dryer, coil cooler, and strip blow- off systems are gaining significant market penetration for the ability to rapidly cool metal. The rapid cooling permits higher throughput than competitive processes. Busch is presently involved in supplying Jet*Start for new and upgrade mill construction work.

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

Busch RIG (resource implementation group) was started in November 1996. It designs and manufactures custom electrical and control systems and also acts as a manufacturers' representative of certain products, such as heat transfer devices and related support products.

Recent Acquisitions

On September 25, 1997, pursuant to an Asset Purchase Agreement, New Busch Co., Inc., a Delaware corporation ("Busch") which is a wholly-owned subsidiary of CECO formed on June 19, 1997, acquired certain assets, and all rights and interests of, Busch Co., a Pennsylvania corporation (the "Seller") for a purchase price of $2,100,000 plus acquisition costs. CECO financed the acquisition with proceeds from (i) a $1,040,576 loan from CECO's secured line-of-credit from CoreStates Bank, N.A., with an interest rate of 1/2% over the bank's prime lending rate, (ii) a secured term loan in the amount of $1,000,000 from CoreStates Bank, N.A. with an interest rate of 8.75% per annum, and (iii) a subordinated, unsecured loan from the Company in the amount of $500,000 with an interest rate of 10% per annum. The Seller was engaged in the business of marketing, selling, designing and assembling ventilation, environmental and process-related products, and also provided manufacturer's representative services to certain companies or manufacturers in support or related businesses.

Acquisition of Shares of CECO by the Company

In June, 1997, the Company exchanged 186,000 additional shares of its common stock for 186,000 shares of CECO's common stock with unrelated third parties. On August 13, 1997, pursuant to an Agreement and Plan of Reorganization among the Company, CECO and Stephen Taub, the Company exchanged 582,500 shares of its common stock for 1,165,000 shares of CECO's common stock with Dr. Taub. Such transaction was intended to qualify as a "B" reorganization pursuant to the Internal Revenue Code.

In addition, on February 18, 1998, the Company exchanged 281,768 shares of the Company for 281,768 shares of CECO with a single off-shore investor, which brought the Company's ownership of CECO's stock to 6,274,498 shares, representing 91.36% of CECO's outstanding common stock.

The Company intends to purchase additional shares of CECO common stock if such additional shares become available at a price which the Company considers reasonable. Such purchases, if made, would be made through private transactions, including exchanges of the Company's common stock for CECO common stock, or open market stock purchases of CECO common stock.

Investment by CECO in the Company

On May 26, 1993, CECO purchased 100,000 shares of newly issued Common Stock of the Company for $2.80 per share or $280,000 in the aggregate. The market price for the Company's Common Stock closed at $4.00 per share at that date. The purchase price was paid

for with $160,000 in cash, with the balance due on demand, without interest. The balance was paid in full during the first quarter of 1994. On the date of purchase the Company owned 52.1% of CECO's common stock. As of December 31, 1997, CECO distributed 17,800 shares of such Common Stock of the Company to certain of CECO's key employees in lieu of cash bonuses. Such CECO employees are restricted from selling such Common Stock for one year from the date of distribution.

Item 2. Properties

The Company maintains its offices in Toronto, Ontario at premises made available to them at no charge by Phillip DeZwirek, the Chief Executive Officer, Chief Financial Officer, Chairman of the Board of Directors and a controlling shareholder of the Company.

CECO owns a plant facility in Conshohocken, Pennsylvania. On February 25, 1993 CECO refinanced the property with a fourteen year commercial mortgage from CoreStates Bank at 8% through March 1, 1998 and thereafter at 3/4% over the Bank's prime rate.

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

CECO leases approximately 1,418 square feet at an annual rental of $13,201.58 in California, which space was used by CSI and is now used by CECO.

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 1999. The lease is for approximately 12,000 square feet at an annual rental of $133,308. Andrew M. Halapin, the former principal owner of Busch, is the beneficial owner of the property in which Busch's offices are located. Busch also leases 1,000 square feet of space in Etna, Pennsylvania for $315 per month. Such lease will expire on March 31, 1999.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Annual Period Report on Form 10-KSB.

PART II

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

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

	CEC Common Stock - Bids			CEC Common Stock - Bids	
	High	Low		High	Low
1996			1997		
1st Quarter	$4.00	$2.625	1st Quarter	$3.125	$1.9375
2nd Quarter	$3.50	$2.50	2nd Quarter	$3.8125	$1.875
3rd Quarter	$3.125	$1.6875	3rd Quarter	$4.875	$3.0625
4th Quarter	$2.9375	$1.75	4th Quarter	$5.00	$3.0625
1998					
1st Quarter (through March 9, 1998)	$3.70	$2.75			

(b) The approximate number of beneficial holders of common stock of the Company as of March 9, 1998 was 515.

(c) The Company has paid no dividends during the fiscal year ended December 31, 1996 or the fiscal year ended December 31, 1997. The Company does not expect to pay dividends in the foreseeable future.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Financial Condition, Liquidity and Capital Resources

The Company's consolidated cash position increased from $412,174 on December 31, 1996 to $847,827 on December 31, 1997. This net increase is attributable principally to the increase in cash provided by operating activities of $2,060,468 and the increase in cash provided by financing activities of $946,937, offset by cash used in investing activities of $2,571,752. Cash provided from operating activities includes cash received in connection with progress billings related to engineering contracts negotiated by New Busch Co. The Company acquired

substantially all of the assets of Busch Co. in September 1997. Busch, located in Pittsburgh, Pennsylvania, is engaged in the business of marketing, selling, designing and assembling ventilation, environmental and process related products and also provides manufacturer's representative services to certain companies or manufacturers in support or related businesses.

At December 31, 1997, the Company's consolidated working capital was $648,756 compared to $2,187,596 at December 31,1996. A principal reason for the reduction in working capital is the result of the liability associated with the progress billing described previously. The investments in marketable securities, which earned interest income of $84,326 in 1997, are primarily in high yield bonds of major U.S. corporations.

CECO's capital expenditures amounted to $210,087 and $78,720 for the years ended December 31, 1997 and 1996, respectively. Such expenditures were primarily for computer hardware and software upgrades, engineering and manufacturing equipment upgrades and office renovations. CECO does not have material firm commitments for capital expenditures. However, equipment expenditure requirements are expected to increase as a result of CECO's anticipated growth.

CECO increased its line of credit with a commercial bank from $1,250,000 to $1,500,000, of which none was outstanding as of December 31, 1997. However, CECO also entered into a four- year, $1,000,000 term loan, with the same bank, the proceeds of which were used towards the acquisition of Busch described previously. At December 31, 1997, the principal outstanding balance on the term loan was $937,500.

The Company and CECO entered into a five-year management and consulting agreement, dated January 1, 1994 pursuant to which the Company provides management and financial consulting services to CECO for a monthly fee of $20,000 until the agreement expires in December 1998.

The Company believes its consulting agreement with CECO and interest income from its investments in marketable securities should provide sufficient revenue to meet its general and administrative expenses. Management believes that CECO's expected cash flow from operations, supplemented by the available line of credit, will be adequate to meet CECO's anticipated cash needs for working capital, revenue growth, scheduled debt repayment and capital investment objectives for at least the next twelve months.

Results of Operations - The Company

The Company's consolidated statement of operations for the years ended December 31, 1997 and 1996 reflect the operations of the Company consolidated with the operations of CECO. During 1997, the Company earned consulting fees from CECO ($240,000), earned investment income from marketable securities ($84,326) and continued to incur general and administrative expenses ($204,104). As of December 31, 1997, the Company owned approximately 87.5% of the outstanding Common Stock of CECO. Minority interest on the consolidated statement of operations has been presented as a reduction in the loss for the year.

The following table sets forth income line items shown on the consolidated statement of operations, as a percentage of net sales, for the periods indicated. This table should be read in conjunction with the consolidated financial statements and notes thereto.

	Year Ended December 31,	
	1997	1996
Revenues:		
Net sales- products	75.0%	100.0%
*Contract revenues	25.0	-
Total revenues	100.0	100.0
Costs and expenses:		
Cost of revenues - products	39.5	52.7
Cost of revenues - contracts	16.3	-
Selling and administrative	41.8	35.8
Depreciation and amortization	2.6	4.2
	100.2	92.7
Income (loss) from operations	(.2)	7.3
Investment income	.6	.9
Interest expense	(.9)	(1.6)
Income (loss) before income taxes and minority interest	(.5)	6.6
Income taxes	-	2.1
Income (loss) before minority interest	(.5)	4.5
Minority interest in net (income) loss of consolidated subsidiary	.2	(1.4)
Net income (loss)	(.3)%	3.1%

* New business area due to acquisition of Busch Co.

Results of Operations - The Company (continued)

The Company's consolidated net sales, comprised entirely of CECO's consolidated net sales, were $14,530,974 for the year ended December 31, 1997 and $9,847,697 for the year ended December 31, 1996, an increase of 47.6%. This increase was due primarily to the sales of Busch.

Selling and administrative expenses were $204,104 for the year ended December 31, 1997 and $208,018 for the year ended December 31, 1996, excluding those expenses incurred by CECO that are reflected on the Company's consolidated statement of operations. Those expenses included accounting and legal fees, and fees relating to acquisition consulting and shareholder relations.

The Company received $240,000 for each of the years ended December 31, 1997 and 1996 for management and financial consulting services provided to CECO. This amount is not reflected in the consolidated results of operations since it is eliminated in consolidation.

Except as set forth above, the Company has no other income (loss), revenues or expenses other than as a result of its investment in CECO and investment in marketable securities. The Company does not engage in operations other than through its operating subsidiary CECO. See discussion of CECO herein.

Results of Operations - CECO

1997 as Compared to 1996

Revenues for the year ended December 31, 1997 were $14,530,974, an increase of $4,683,277 or 47.6% from $9,847,697 for the year ended December 31, 1996. This increase was due primarily to the Busch acquisition completed in 1997.

CECO's overall cost of sales increased as a percentage of sales for the year ended December 31, 1997 (55.8%) compared to the year ended December 31, 1996 (52.7%). This increase is attributed to the impact of the Busch acquisition; Busch's costs as a percentage of sales amounted to 66.9% from July 1, 1997 through December 31, 1997. Without the acquisition of Busch, CECO's cost of sales as a percentage of sales would have been 51.0%. The decrease compared to the prior year, excluding figures from the operations of Busch, is attributed to lower material costs, as well as lower costs incurred to service CECO's products. CECO continues to use the latest technology available in an effort to reduce both cost of sales, including maintaining optimal levels of inventory and operating expenses, and ultimately increase overall company profits.

CECO's selling and administrative expenses amounted to $5,850,452 for the year ended December 31, 1997 compared to $3,316,716 for the year ended December 31, 1996, representing an increase of $2,533,736, or 76.4%. A significant amount of this increase is attributable to (i) selling and administrative expenses of Busch's operations since the effective date of the Busch

acquisition, and (ii) selling and administrative expenses associated with USFM which only recently commenced its operations. The selling and administrative expenses of Busch include a non-recurring $500,000 charge for a sign-on bonus (the "Sign On Bonus") paid to a former officer of the old Busch Co. in connection with a three-year employment agreement. A substantial portion of CECO's selling and administrative expenses are fixed in nature.

CECO entered into a management and consulting agreement with the Company in 1994, in which terms of the agreement require payment of monthly fees of $20,000 through December 1998 in exchange for management and financial consulting services involving corporate policies; marketing; strategic and financial planning; and mergers, acquisitions and related matters. CECO paid management fees to the Company of $240,000 during each of the years ended December 31, 1997 and 1996.

CECO's depreciation and amortization expense decreased from $341,599 in 1996 to $289,544 in 1997, primarily because equipment and intangible assets acquired more than five years ago became fully amortized or depreciated during 1997.

CECO's interest expense decreased by $24,136 or 15.6% during the year ended December 31, 1997 compared to the same period in 1996, principally due to decreased borrowings from CECO's line of credit in 1997.

CECO incurred a pretax loss of $95,744 for the year ended December 31, 1997 compared to pretax income of $606,813 for the year ended December 31, 1996. Pretax income for the year ended December 31, 1997, before deducting the charge for the Sign On Bonus ("non-recurring charge"), was $404,256. The decrease from the prior year is attributed principally to the increase in selling and administrative expenses in relation to the Busch acquisition, expenses connected with the start-up of USFM and expenses in relation to international sales development.

Net income (loss) per share for 1997 and 1996 before and after non-recurring charges were as follows:

	1997	1996
Before non-recurring charge	$ .06	$ .06
After non-recurring charge	(.01)	.06

1996 as Compared to 1995

CECO's consolidated net sales increased by $1,412,388 or 16.7% from $8,435,309 in 1995 compared to $9,847,697 in 1996. Net income increased in 1996 from a loss of ($71,241) or ($0.01) per share to earnings of $401,025 or $0.07 per share in 1996, an improvement of $472,266. This dramatic improvement in financial performance was attributed to:

- Continuation of CECO's target market strategy which allowed CECO to improve gross profit margins by attaining higher value for the products and services CECO provides.

- Repositioning CECO in the marketplace to enhance how CECO is viewed by customers, competitors, employees, and shareholders. CECO is making good progress in identifying market segments that fit criteria for delivering exceptional value to both its customers and shareholders.

- Redirection of CECO's design strategies to utilize standard components customized for specific customer needs. This specialized standardization approach helped shape much of CECO's new developments in 1996, and will become the cornerstone for improving competitiveness and profit margins over the next several years.

- A new subsidiary, USFM, was formed to implement CECO'S facilities management strategy. Investment in this new activity was nearly $200,000. The market potential of this service-oriented business could greatly exceed that of the existing businesses and is discussed subsequently.

- Research and development expenditures in 1996 were increased from $17,484 in 1995 to $116,979 in 1996 and resulted in the following developments:

  Two patent applications directed toward enhancing CECO's customized standardization (CS) strategy. 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 breakthrough will enable CECO to offer the same units or applications in widely disparate industries with the possibility to reuse the units once the original use is satisfied. It also allows CECO the flexibility to sell or rent the systems. The rental approach allows CECO to reuse the units after cleaning and repacking, resulting in a high return on capital employed.

  A new, felted fiberglass fabric was developed by CECO's APC subsidiary, targeted to compete with DuPont Nomex(R) and other fabrics sold for dust collection in industrial applications. This product will allow CECO to compete for a larger share of the global market for filter fabric media and will add to CECO's established position with the Huyglas(R) trade name.

CECO's cost of sales as a percentage of sales decreased by 3.4% in 1996 from 56.1% in 1995 compared to 52.7% in 1996. The decrease was due primarily to decreased raw material costs.

Selling and administrative expenses increased by $265,899 from $3,050,817 in 1995 to $3,316,716 in 1996. Approximately $200,000 of such increase was attributed to CECO's investment in the facilities management strategy described previously. CECO's

selling and administrative expenses decreased by 2.5%, as a percentage of sales, from 36.2% in 1995 to 33.7% in 1996. A substantial portion of the selling and administrative expenses are fixed in nature.

CECO's depreciation and amortization expense decreased slightly from $356,634 in 1995 to $341,599 in 1996 primarily due to a decrease in equipment acquisitions in 1996.

CECO's interest expense decreased from $175,028 in 1995 to $154,837 in 1996, principally due to decreased borrowing from CECO's line of credit in 1996.

Nomex(R) is a registered trademark of E.I. DuPont.
Huyglas(R) is a registered trademark of Air Purator Corp., a subsidiary of CECO.

Item 7. Financial Statements

The Company's Consolidated Financial Statements of CECO Environmental Corp. and Subsidiaries for Years Ended December 31, 1997 and 1996 and other data are presented on the following pages:

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 1997 AND 1996

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of CECO Environmental Corp. and Subsidiaries as of December 31, 1997 and 1996, 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CECO Environmental Corp. and Subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

Certified Public Accountants

Bala Cynwyd, PA
January 27, 1998

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	DECEMBER 31,	
	1997	1996
ASSETS		
Current assets:		
Cash $ 847,827	$ 412,174	
Marketable securities - trading	634,150	1,015,521
Accounts receivable	2,979,414	2,077,045
Inventories	771,068	565,371
Costs and estimated earnings in excess of billings on uncompleted contracts	235,454	-
Prepaid expenses and other current assets	230,458	45,464
Prepaid and refundable income taxes	150,200	-
Deferred income taxes	33,477	58,735
Total current assets	5,882,048	4,174,310
Property and equipment, net	1,947,482	1,806,126
Intangible assets, at cost, net	6,107,554	3,220,841
Deferred income taxes	23,896	-
Total assets	$13,960,980	$9,201,277
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term obligations	$ -	$ 400,000
Current portion of long-term debt	333,871	83,100
Current portion of capital lease obligation	5,554	6,043
Accounts payable and accrued expenses	1,873,965	1,220,595
Billings in excess of costs and estimated earnings on uncompleted contracts	2,517,310	-
Due former owners of Busch Co.	502,592	-
Income taxes payable	-	276,976
Total current liabilities	5,233,292	1,986,714
Long-term debt, less current portion	1,732,993	1,132,869
Capital lease obligation, less current portion	3,821	9,882
Total liabilities	6,970,106	3,129,465
Minority interest	248,289	964,203
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized, none issued	-	-
Common stock, $.01 par value; 100,000,000 shares authorized, 8,107,048 and 7,338,548 shares issued, respectively	81,070	73,385
Capital in excess of par value	9,860,063	8,178,998
Accumulated deficit	(2,849,879)	(2,796,105)
	7,091,254	5,456,278
Less treasury stock, at cost	(348,669)	(348,669)
Net shareholders' equity	6,742,585	5,107,609
Total liabilities and shareholders' equity	$13,960,980	$ 9,201,277

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED DECEMBER 31, 1997	1996
Revenues:		
Net sales - products	$10,901,728	$9,847,697
Contract revenues	3,629,246	-
Total revenues	14,530,974	9,847,697
Costs and expenses:		
Cost of revenues - products	5,746,125	5,187,732
Cost of revenues - contracts	2,369,886	-
Selling and administrative	6,054,556	3,524,734
Depreciation and amortization	384,661	416,988
	14,555,228	9,129,454
Income (loss) from operations	(24,254)	718,243
Investment income	84,326	82,763
Interest expense	(130,701)	(154,837)
Income (loss) before income taxes and minority interest	(70,629)	646,169
Income taxes	7,200	205,788
Income (loss) before minority interest	(77,829)	440,381
Minority interest in net (income) loss of consolidated subsidiary	24,055	(139,298)
Net income (loss)	($53,774)	$ 301,083
Net income (loss) per share, basic and diluted	($.01)	$ .04

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	ACCUMULATED DEFICIT	TREASURY STOCK
Balance, December 31, 1995	$69,563	$7,767,945	($3,097,188)	($398,669)
Net income for year ended December 31, 1996			301,083	
Distribution of 17,800 shares of Company's common stock as employee bonuses				50,000
Acquisition of 5.1% of CECO Filters, Inc. common stock through issuance of 371,200 shares of common stock	3,712	383,663		
Exercise of stock options	110	27,390		
Balance, December 31, 1996	73,385	8,178,998	(2,796,105)	(348,669)
Net (loss) for year ended December 31, 1997			(53,774)	
Acquisition of 19.5% of CECO Filters, Inc. common stock through issuance of 768,500 shares of common stock	7,685	1,681,065		
Balance, December 31, 1997	$81,070	$9,860,063	($2,849,879)	($348,669)

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1997	1996
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities:		
Net income (loss)	($53,774)	$ 301,083
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-cash consulting fees	-	75,000
Distribution of 17,800 shares of Company's common stock as employee bonuses in lieu of cash	-	50,000
Depreciation and amortization	384,661	416,988
Deferred income taxes	1,362	(57,734)
Minority interest	(24,055)	139,298
(Increase) decrease in operating assets:		
Accounts receivable	(902,369)	(220,504)
Inventories	(60,318)	89,455
Costs and estimated earnings in excess of billings on uncompleted contracts	(235,454)	-
Prepaid expenses and other current assets	(174,460)	11,272
Prepaid and refundable income taxes	(150,200)	-
Purchase of marketable securities	(1,191,998)	(1,615,959)
Proceeds from sale of marketable securities	1,573,369	600,439
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	653,370	54,589
Income taxes payable	(276,976)	266,231
Billings in excess of costs and estimated earnings on uncompleted contracts	2,517,310	-
Net cash provided by operating activities	2,060,468	110,158
Cash flows from investing activities:		
Acquisition of Busch Co. allocated to:		
Goodwill	(1,819,331)	-
Inventory	(145,379)	-
Equipment	(131,818)	-
Patents	(77,323)	-
Prepaid expenses	(13,059)	-
Acquisitions of property and equipment	(210,087)	(78,720)
Acquisitions of intangible assets	(198,855)	(39,688)
Sale of CECO Filter's common stock	24,100	-
Net cash (used in) investing activities	(2,571,752)	(118,408)

CONTINUED ON NEXT PAGE

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED

	YEAR ENDED DECEMBER 31, 1997	1996
Cash flows from financing activities:		
Increase in long-term debt	$1,000,000	$ -
Net repayments, short-term obligations	(400,000)	(450,000)
Repayments of long-term debt and capital lease obligation	(155,655)	(200,087)
Proceeds from exercise of stock options	-	27,500
Due to former owners of Busch Co.	502,592	-
Net cash provided by (used in) financing activities	946,937	(622,587)
Net increase (decrease) in cash	435,653	(630,837)
Cash at beginning of year	412,174	1,043,011
Cash at end of year	$ 847,827	$ 412,174

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	$ 130,701	$ 158,430
Income taxes	$ 433,014	$ 23,861

SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES

The Company exchanged 186,000 and 371,200 shares of its common stock for 186,000 and 371,200 shares of CECO Filters, Inc. ("CFI") common stock with unrelated third parties in 1997 and 1996, respectively. On August 13, 1997, the Company exchanged 582,500 shares of its common stock for 1,165,000 shares of CFI's common stock with an officer of CFI.

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

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business - The principal business of the Company's subsidiary is to provide standard and engineered systems for air quality improvement and to offer complete operation, maintenance and data processing services to industrial and commercial customers, primarily in the United States.

Principles of consolidation - The consolidated financial statements include the accounts of CECO Environmental Corp. (the "Company"), and CECO Filters, Inc. ("CFI"), an 87.5% (as of December 31, 1997) owned subsidiary. The Company acquired its majority ownership in CFI in April 1993 (see Note 2). All intercompany balances and transactions have been eliminated.

Use of estimates - The presentation of financial statements in conformity with generally accepted accounting principles 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.

Investments in marketable securities - The Company's investments in marketable securities comprise corporate debt securities, all classified as trading securities, which are carried at their fair value based on the quoted market prices. Accordingly, net realized and unrealized gains and losses on trading securities are included in net income. Investment income consists principally of interest income.

Accounts receivable - The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Inventories and revenue recognition - Inventories are valued at the lower of cost, using the first-in, first-out (FIFO) method, or market.

Property and equipment - Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to income as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Intangible assets - Goodwill is being amortized on a straight-line basis over 40 years. The Company's policy is to continually monitor the recoverability of goodwill using a fair value approach. Other intangible assets are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 17 years.

Revenue recognition - Revenue from manufactured products and products purchased for resale is recognized upon shipment to customers.

Revenue from contracts for the design and manufacture of air handling units are recognized on the percentage of completion method, measured by the percentage of contract costs incurred to date 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.

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

Contracts - continued

Contract costs include direct material, labor cost 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.

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.

Advertising costs - Advertising costs are charged to operations in the year incurred and totaled $117,481 in 1997 and $130,762 in 1996.

Research and development - Research and development costs are charged to expense as incurred. The amounts charged were $91,803 in 1997 and $116,979 in 1996.

Per share data - The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share" which establishes standards for computing basic and diluted earnings per share and is effective for periods ending after December 15, 1997. Per share data is computed using the weighted average number of common shares outstanding. The Company considers outstanding options and warrants in computing diluted net income (loss) per share only when they are dilutive. The weighted average number of common shares was 7,551,836 for 1997 and 7,001,036 for 1996 for basic and 7,953,212 for 1997 and 7,001,036 for 1996 diluted net income (loss) per share.

Reclassifications - Certain reclassifications have been made to the 1995 financial statements to conform with the 1996 presentation.

Stock-based compensation - In October, 1996, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation. SFAS 123 permits companies to choose between a "fair value based method of accounting" for employee stock options or to continue to measure compensation cost for employee stock compensation plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). The Company has chosen to continue to use the APB 25 method. 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 related to its or CFI's stock option plan or the Company's warrants during 1997 and 1996.

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

Stock-based compensation - continued

Entities electing to remain with this method must make pro forma disclosures of net income (loss) and earnings (loss) per share as if the fair value based method of accounting defined in SFAS 123 had been applied to all awards granted in fiscal years beginning after December 15, 1994. Had compensation cost for its or CFI's stock option plan and the warrants issued by the Company been determined based on the fair value at the grant dates for awards under those arrangements consistent with the method of SFAS 123, the Company's 1996 net income and earnings per share would have been reduced to $38,583 and $.01, respectively. The effect on net loss for 1997 for options granted under the Company's stock option plan would have been de minimis.

Changes in accounting policies - In June, 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". In February, 1998, the FASB also issued SFAS No. 132, "Employer's Disclosures about Pensions and Other Postretirement Benefits". These pronouncements are effective for fiscal years beginning after December 15, 1997, and thus do not effect any of the financial statements reported on herein, but will become effective in 1998. The adoption of these pronouncements will have no impact on the Company's consolidated results of operations, financial position, or cash flows, but upon adoption may require disclosures for prior periods to be restated.

2. Investment in CFI/Goodwill

Pursuant to a Stock Exchange Agreement dated May 30, 1992, between the Company and IntroTech Investments, Inc. ("IntroTech"), a privately-held Ontario corporation, the Company exchanged 1,666,666 newly issued shares of its common stock for 1,666,666 shares of CFI common stock owned by IntroTech. CFI is a publicly-held Delaware corporation. The 1,666,666 shares of CFI common stock acquired by the Company are restricted. Those shares represented 24.51% of the outstanding shares of common stock of CFI.

During 1993 through 1996, the Company exchanged 2,953,964 additional shares of its common stock for 2,953,964 shares of CFI's common stock with unrelated third parties. Also, during 1993, the Company acquired, for cash, an additional 21,100 shares of CFI's common stock from unrelated third parties, which were subsequently sold in September, 1997. In June, 1997, the Company exchanged 186,000 additional shares of its common stock for 186,000 shares of CFI's common stock with unrelated third parties. On August 13, 1997, the Company exchanged 582,500 shares of its common stock for 1,165,000 shares of CFI's common stock with an officer of CFI. As of December 31, 1997, the Company owned 87.5% of CFI's common stock.

The Company included CFI and its wholly-owned subsidiaries in its consolidated financial statements as of April 1993 when the Company's ownership of CFI's common stock exceeded 50%.

3. Acquisition of Business

On September 25, 1997, pursuant to an Asset Purchase Agreement, New Busch Co., Inc., a wholly-owned subsidiary of CECO Filters, Inc., acquired substantially all of the assets, and the business, of Busch Co. ("Busch") for $2,100,000 in cash, plus acquisition costs. Busch, located in Pittsburgh, Pennsylvania, was engaged in the business of marketing, selling, designing and assembling ventilation, environmental and process-related products, and also provided manufacturer's representative services to certain companies or manufacturers in support or related businesses. The acquisition was accounted for as a purchase. The excess of the aggregate purchase price over the fair market value of the net assets acquired of $1,819,331, which was allocated to goodwill based upon preliminary estimates of fair value, is being amortized over 40 years. The Asset Purchase Agreement provides that, notwithstanding the actual September 25, 1997 closing date, the closing was deemed to be effective as of July 1, 1997. The 1997 statement of operations, therefore, includes the operations of New Busch Co. since July 1, 1997.

On a pro forma basis, unaudited results of operations for the years ended December 31, 1997 and 1996 would have been as follows, if the acquisition had been made as of January 1, 1996:

	YEAR ENDED DECEMBER 31,	
	1997	1996
Total revenues	$21,434,816	$21,599,393
Income before taxes on income	857,791	1,075,867
Net income	511,173	444,695
Net income per share	$.07	$.06

4. Financial Instruments

Fair value of financial instruments:

	1997		1996	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash	$847,827	$ 847,827	$ 412,174	$ 412,174
Marketable securities	634,150	634,150	1,015,521	1,015,521
Financial liabilities:				
Long-term debt	2,066,864	1,963,547	1,215,469	1,140,611
Short-term obligations	-	-	400,000	400,000

The fair values of cash and short-term obligations are assumed to be equal to their reported carrying amounts based on their close proximity to maturity.

4. Financial Instruments - Continued

Valuations for marketable securities are determined based on quoted market prices and valuations for long-term debt are determined based on future payments discounted at current interest rates for similar obligations.

Management of the Company does not expect any losses to result from its standby letter of credit described in Note 10 and, therefore, is of the opinion that the fair value of this off- balance sheet financial instrument is zero.

The Company does not hold any financial instruments for trading purposes.

Concentrations of credit risk:

Financial instruments that potentially subject the Company to credit risk consist principally of cash and accounts receivable. The Company performs periodic evaluations of the financial institutions in which its cash is invested. The Company performs ongoing credit evaluations of its customers' financial condition, and generally requires no collateral from its customers.

5. Accounts Receivable

	1997	1996
Trade receivables	$1,321,760	$2,077,045
Contract receivables:		
Billed on completed contracts	3,817	-
Billed on contracts in progress	1,653,837	-
	$2,979,414	$2,077,045

6. Inventories

Inventories consisted of the following at December 31:

	1997	1996
Raw material	$409,639	$410,949
Finished goods	157,911	154,422
Parts for resale	203,518	-
	$771,068	$565,371

7. Costs and Estimated Earnings on Uncompleted Contracts at December 31, 1997

Costs incurred on uncompleted contracts	$2,217,978
Estimated earnings	1,205,994
	3,423,972
Less billings to date	5,705,828
	($2,281,856)

Included in the accompanying balance sheet under the following captions:

Costs and estimated earnings in excess of billings on uncompleted contracts	$ 235,454
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,517,310)
	($2,281,856)

8. Property and Equipment

Property and equipment consisted of the following at December 31:

	1997	1996
Land	$ 137,342	$ 137,342
Building	1,679,659	1,670,631
Machinery and equipment	1,884,572	1,551,694
	3,701,573	3,359,667
Less accumulated depreciation	1,754,091	1,553,541
	$1,947,482	$1,806,126

Depreciation expense was $200,550 and $292,225 for 1997 and 1996, respectively. Machinery and equipment at December 31, 1997 and 1996 included equipment acquired under a capital lease with a cost of $19,793 and accumulated depreciation of $15,097 and $7,918, respectively.

9. Intangible Assets

Intangible assets consisted of the following at December 31:

	1997	1996
Goodwill	$6,177,927	$3,438,432
Customer lists	-	81,500
Non-compete agreements	100,000	62,500
Patents	251,692	77,406
	6,529,619	3,659,838
Less accumulated amortization	422,065	438,997
	$6,107,554	$3,220,841

Amortization expense was $184,111 and $124,763 for 1997 and 1996, respectively.

10. Debt

	1997	1996
Short-term obligations		
Note payable, bank, under line of credit. CFI has a line of credit with a bank permitting borrowings of up to $1,500,000 ($1,250,000 at December 31, 1996) with interest at the prime rate plus 1/2% (1/4% at December 31, 1996) (effective rate of 9% and 8.5% at December 31, 1997 and 1996, respectively). Borrowing are limited to 80% of eligible accounts receivable plus a permitted out-of-formula advance which at December 31, 1997 was $600,000. There was also a $150,000 standby letter of credit to the Pennsylvania Industrial Development Authority which was outstanding at both dates.	$ -	$ 400,000
Long-term debt		
Term loan, bank, monthly payments of $20,833, plus interest at 1/2% over the prime rate (effective rate of 9%) through September, 2001	$937,500	$ -
Mortgage note payable, bank, monthly installments of $10,149, including interest at 8% per annum through March 1, 1998 at which time the interest rate will be adjusted to a per annum rate equal to 3/4% in excess of the prime rate. Remaining principal will be repaid in 110 equal monthly installments beginning April 1, 1998, plus interest.	857,956	907,928
Pennsylvania Industrial Development Authority, payable in equal monthly installments of $2,797 including interest at 3% per annum, through May, 2007, collateralized by a second mortgage on land and building	271,408	296,420
Delaware Valley Industrial Resource Center, payable in equal monthly installments of $489 including interest at 3% per annum, through February, 1997	-	974
Delaware Valley Industrial Resource Center, payable in equal monthly installments of $273 including interest at 3% per annum, through May, 1997	-	1,355
Totals (carried forward)	$2,066,864	$1,206,677

10. Debt - Continued

	1997	1996
Long-term debt - continued		
Totals (brought forward)	$2,066,864	$1,206,677
Delaware Valley Industrial Resource Center, payable in equal monthly installments of $131 including interest at 3% per annum, through April, 1997	-	521
Delaware Valley Industrial Resource Center, payable in equal monthly installments of $560 including interest at 3% per annum. Repaid in 1997.	-	8,771
	2,066,864	1,215,969
Less current portion	333,871	83,100
	$1,732,993	$1,132,869

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

1998	$333,871
1999	847,427
2000	355,272
2001	301,340
2002	123,201

CFI's property and equipment, accounts receivable, and inventory serve as collateral for its bank debt. The bank debt is also subject to financial covenants which require CFI to maintain a minimum cash flow coverage, current ratio and net worth. The Company obtained a waiver from the bank for these covenants which is effective through December 31, 1998.

11. Capital Lease Obligation

CFI acquired equipment under the provisions of a long-term lease. Future minimum lease payments under the capital lease are as follows:

1998	$ 6,953
1999	3,478
	10,431
Less amount representing interest	1,056
Present value of net minimum capital lease payments	9,375
Less current portion	5,554
Long-term portion	$ 3,821

12. Shareholders' Equity

Stock Option Plan

CFI maintained a stock option plan for its employees through 1996. During 1997, all participants in the CFI plan were given the opportunity to exchange their unexercised options for the same number of options in a new plan established by CECO Environmental Corp. Under the former plan, options to purchase 500,000 shares of CFI's common stock were available to be granted at not less than 100% of the market price of the shares on the date of grant. Options were generally exercisable one year from the date of grant and expired between five and ten years of the date of grant. At December 31, 1997, there were no outstanding options with respect to the CFI plan. Options under the 1997 CECO Environmental Corp. plan have the same terms. The grant date for all of the exchanged options is December 15, 1997, and 1,500,000 shares of CECO Environmental Corp.'s common stock have been reserved for issuance under this plan.

The status of both stock option plans is as follows:

	1997 - CECO ENVIRONMENTAL CORP. PLAN		1996 - CFI PLAN	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at beginning of year	0		369,100	$1.14
Granted	312,320	$4.46	80,900	1.04
Forfeited	0		(41,400)	.97
Outstanding at end of year	312,320	4.46	408,600	1.14
Options exercisable at year end	0		327,700	
Available for grant at end of year	1,187,680		6,850	

Warrants to Purchase Common Stock

In November 1996, the Company's Board of Directors authorized the issuance of warrants to purchase 750,000 shares of the Company's Common Stock to the Chief Executive Officer. The warrants carry an exercise price of $1.75 per share. The warrants expire 10 years from issuance. In January, 1998, additional warrants were issued to the Chief Executive Officer to purchase 250,000 shares of the Company's common stock, effective June 14, 1998, at an exercise price of $2.75 per warrant. These warrants expire 9 1/2 years from issuance.

13. Sales to Major Customers

CFI had one customer in 1996 representing 15% of consolidated net revenues. There were no customers in 1997 where revenues exceeded 10% of consolidated net revenues.

14. Employee Benefit Plans

CFI has a 401(k) Savings and Retirement Plan which covers substantially all employees. Under the terms of the Plan, employees can contribute between 1% and 22% of their annual compensation to the Plan. CFI matches 50% of the first 6% of employee contributions. Plan expense for the years ended December 31, 1997 and 1996 was $57,678 and $34,505, respectively.

CFI also has a profit-sharing plan which covers substantially all employees. There were no contributions to the Plan for 1997 or 1996.

15. Commitments

Rent

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

1998	$208,188
1999	161,737
2000	151,101
2001	134,873
2002	77,763

Total rent expense under all operating leases for 1997 and 1996 was $206,927 and $88,515, respectively.

Non-Compete Agreement

In connection with the acquisition described in Note 2, the Company entered into a non-compete agreement with a former shareholder of Busch. In addition to the $100,000 paid a the closing date, the agreement requires annual payments of $200,000 on each of the next four anniversary dates of the closing. The related cost is being amortized ratably over the four-year period.

16. Income Taxes

Income taxes (benefit) consisted of the following at December 31:

	1997	1996
Current:		
Federal	($64,085)	$179,030
State	69,923	84,492
	5,838	263,522
Deferred	1,362	(57,734)
	$ 7,200	$205,788

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

	1997	1996
Tax (benefit) at statutory rate	($24,014)	$219,697
Increase (decrease) in tax resulting from:		
Net operating loss deduction	(40,875)	(39,013)
State tax, net of federal benefit	46,149	55,765
Change in tax versus book basis of assets	1,362	(57,734)
Permanent differences, principally goodwill	44,249	32,114
(Over) accrual of prior years' taxes	(16,852)	(9,198)
Other	(2,819)	4,157
	$ 7,200	$205,788

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:

	1997	1996
Deferred tax asset:		
Inventory capitalization	$13,477	$ 17,414
Depreciation	20,600	21,321
Non-compete agreement	18,666	-
Employee bonuses - restricted stock in lieu of cash	20,000	20,000
Net operating loss carryforwards	50,000	92,000
Less valuation allowance	(50,000)	(92,000)
	72,743	58,735
Deferred tax liability:		
Goodwill	(15,370)	-
Net deferred tax liability	$57,373	$58,735

16. Income Taxes - Continued

The Company has federal net operating loss carryforwards of approximately $125,000 which expire in 2008.

The change in valuation allowance reflects current utilization of net operating loss carryforwards. A valuation allowance is provided since the utilization of tax benefits of net operating loss carryforwards is not assured.

CECO Environmental Corp. and CFI each file separate federal income tax returns. In addition, the federal net operating loss carryforwards are not available to offset taxable income of CFI.

18. Related Party Transactions

Effective January 1, 1995, the Company entered into a consulting agreement with CFI. The terms of the agreement require monthly fees by CFI of $20,000 through December, 1998 in exchange for management and financial consulting services involving corporate policies; marketing; strategic and financial planning; and mergers, acquisitions and related matters. CFI paid the Company $240,000 during each of the years ended December 31, 1997 and 1996. These fees have been eliminated in consolidation.

19. Consulting Agreement

The Company entered into an eighteen-month consulting agreement with an unrelated third party, effective April 1, 1995, to provide financial consulting services to the Company which would, among other things, help the Company to broaden its stock market appeal. As compensation, the consultant received an option to purchase 1,000,000 shares of the Company's common stock at $2.50 per share, such option expiring April 30, 1996. Options exercised on or prior to December 31, 1995 were exercisable at $2.25 per share. In addition, the Company issued 100,000 shares of its common stock to the consultant.

The value of the options and shares issued, as determined by an unrelated third party, was $150,000, such amount being deferred and amortized over the eighteen-month period of the consulting agreement. Amortization of $75,000 was recorded during 1996.

During the year ended December 31, 1996, the consultant exercised options to acquire 11,000 shares of the Company's common stock.

20. Backlog of Uncompleted Contracts

Contracts in progress acquired on July 1, 1997 in connection with acquisition of Busch Co.	$ 8,557,030
New contracts, July 1 through December 31, 1997	2,804,467
Contract adjustments	291,501
	11,652,998
Less contract revenues recognized, July 1, 1997 through December 31, 1997	3,629,246
Balance, December 31, 1997	$ 8,023,752

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

The Company has had no changes in or disagreements with its independent accountants during the Company's two most recent fiscal years.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; 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
Phillip DeZwirek	60	Chairman of the Board of Directors; Chief Executive Officer and Chief Financial Officer
Jason Louis DeZwirek	27	Director, Secretary
Josephine Grivas	58	Director
Donald Wright	60	Director

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

Phillip DeZwirek became a director, the Chairman of the Board and the Chief Executive Officer of the Company in August 1979. Mr. DeZwirek's principal occupations during the past five years have been as President (since May 1982 until 1993) and Chairman of the Board of Digital Fusion Multimedia Corp. (formerly Akers Medical Technologies Limited and herein called "Digital Fusion") of Toronto Canada; Chairman of the Board and Vice President of CECO Filters, Inc., a Delaware corporation (since 1985); and President of Can-Med (since 1990). Mr. DeZwirek has also been involved in private investment activities for the past five years. Digital Fusion's common stock is traded over-the-counter on the NASDAQ Bulletin Board. CECO is discussed elsewhere in this document. See Item 1 - Business.

Jason Louis DeZwirek, the son of Phillip DeZwirek, became a director of the Company in February, 1994. He became Secretary of the Company on February 20, 1998, following the resignation of Josephine Grivas as Secretary. Mr. DeZwirek from October 1, 1997, has also been a member of the Committee that was established to administer the Company's stock option plan. Mr. DeZwirek's principal occupation since 1993 has been as the President of Digital Fusion, a company that adapts books and movies to the CD Rom medium. From 1992 until 1993, Mr. DeZwirek was the Chief Financial Officer of Missing Treasurers Productions, a television production company.

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. 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, Icarus Investment Corp. and other entities he controls since 1975. She retired from those positions in February 1998. Ms. Grivas also is the Secretary and Treasurer and a director of Can-Med.

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. 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, 1997, 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.

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

Item 10. Executive Compensation

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

The directors of the Company received no consideration for serving in their capacity as directors of the Company during its last fiscal year. The Company has no annuity, pension or retirement plans.

Warrants

On January 14, 1998, in consideration for Philip DeZwirek's valuable service to the Company as an employee, officer and director, the Company granted Mr. DeZwirek warrants (the "Warrants") to purchase up to 250,000 shares of the Company's common stock ("Warrant Shares"). The Warrants are exercisable at any time between June 14, 1998 and January 14, 2008 inclusive at a price of $2.75, the closing price of the Company's common stock on January 14, 1998. The Warrants are transferable and grant the holders thereof "piggyback registration rights", i.e. the right to participate in any registration of securities by the Company other than a registration statement in connection with a merger or pursuant to registration statements on Forms S-4 or S-8. Additionally, the holders of a majority of the Warrant Shares and the Warrants have the right on two occasions to have the Company prepare and file with the Securities and Exchange Commission a registration statement and such other documents as may be necessary for such holders to effect a public offering of Warrant Shares previously issued or to be issued upon the effectiveness of such registration statement. The Company is however required to pay the expenses of only one of such registrations. The right to demand such registrations expires on January 14, 2008 or upon the happening of certain other conditions.

Compensation

On October 1, 1997, the Board of Directors of the Company adopted the CECO Environmental Corp. 1997 Stock Option Plan (the "Plan"). The stock options are intended to qualify as incentive stock options and may be issued to officers, employees, directors, and consultants of the Company and its subsidiaries. The Plan must be administered by a committee of at least two non-employee directors; the committee currently consists of Jason DeZwirek and Josephine Grivas. One Million, Five Hundred Thousand shares of the Company's stock has been reserved for issuance pursuant to the Plan. Options to purchase stock may be granted at not less than 100% of the market price of the shares on the date of the grant, except that if the grantee of the options owns more than 10% of the voting power of stock of the Company or any of its subsidiaries, the option price per share may not be less than 110% of the market price on the date of the grant. As of March 18, 1998, 313,320 options under the Plan have been issued, none of which were issued to an officer or director of the Company. Adoption of the Plan is

subject to the approval of the shareholders of the Company by September 30, 1998. Any incentive stock options granted after adoption of the Plan by the Board of Directors will be treated as nonqualified stock options if shareholder approval is not obtained by September 30, 1998.

During 1997 CECO's stock option plan was terminated and all participants in CECO's stock option plan exchanged their options for options pursuant to the Plan.

The following table summarizes the total compensation of Phillip DeZwirek, the Chief Executive Officer of the Company, for 1997 and the two previous years. There were no other executive officers of the Company who received compensation in excess of $100,000 in 1997.

SUMMARY COMPENSATION TABLE FOR THE COMPANY:

Name/ Principal Position	Annual Compensation Year	Salary	Long Term Compensation Options (#)
Phillip DeZwirek	1997	$50,000	-
President and	1996	$42,500	750,000(1)
Chief Executive Officer	1995	$37,500	-

The following tables set forth information with respect to Mr. DeZwirek concerning exercise of options on stock of the Company during the last fiscal year and unexercised options on stock of the Company held as of the end of the fiscal year.

OPTION/SAR GRANTS BY THE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 1997:

Name	Number of Securities Underlying Options Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base ($/SH)	Expiration Date
Phillip DeZwirek	-	-	-	-

AGGREGATED OPTION/SAR ON THE COMPANY
EXERCISES FOR THE YEAR ENDED DECEMBER 31, 1997
AND OPTION/SAR VALUES ON THE COMPANY AS OF DECEMBER 31, 1997:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/97 Exercisable	Value of Unexercised In-the-Money Options/SARs at 12/31/97 Exercisable
Phillip DeZwirek(1)	0	0	750,000	$984,375

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(1) Represents the Warrants issued to Phillip DeZwirek on November 7, 1996.

The following table summarizes the total compensation of the Chief Executive Officer of CECO Filters, Inc. for 1997 and the two previous years (the "Named Executive Officer"). There were no other executive officers of CECO Filters, Inc. who received compensation in excess of $100,000 for 1997.

SUMMARY COMPENSATION TABLE FOR CECO FILTERS, INC.:

Name/ Principal Position	Annual Compensation Year	Salary	Long Term Compensation Options (#)	All Other Compensation
Steven I. Taub, Ph.D./ President and Chief Executive Officer	1997	$200,000	210,520(1)	$26,300(2)
	1996	$200,000	30,000	$28,800
	1995	$200,000	75,000	$29,200

The following tables set forth information with respect to the Named Executive Officer concerning exercise of options on stock of the Company during the last fiscal year and unexercised options on stock of the Company held as of the end of the fiscal year.

OPTION/SAR GRANTS BY THE COMPANY
FOR THE YEAR ENDED DECEMBER 31, 1997:

Name	Number of Securities Underlying Options/SARs Granted (#)	% of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base ($/SH)	Expiration Date
Steven I.Taub, Ph.D.	210,520(1,3)	67.4%	$4.75	December 31, 2006

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(1) All options granted are for shares of stock of the Company pursuant to the Company's Stock Option Plan and were granted in exchange for the cancellation of all options held by Dr. Taub for the purchase of 325,000 shares of CECO.

(2) Includes $2,000 as an IRA contribution and $24,300 as insurance premiums.

(3) As of March 9, 1998, options for 42,104 shares are exercisable, with additional options for 21,052 shares becoming exercisable on January 2 of each year through 2006.

AGGREGATED OPTION/SAR ON THE COMPANY
EXERCISES FOR THE YEAR ENDED DECEMBER 31, 1997
AND OPTION/SAR VALUES ON THE COMPANY AS OF DECEMBER 31, 1997:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/97 Exercisable	Number of Securities Underlying Unexercised Options/SARs at 12/31/97 Unexercisable	Value of Unexercised In-the-Money Options/SARs at 12/31/97 Exercisable	Value of Unexercised In-the-Money Options/SARs at 12/31/97 Unexercisable
Steven I. Taub, Ph.D.	0	0	21,052	189,468	$0	$0

Dr. Taub entered into a new Employment Agreement dated September 30, 1997 with CECO. The Employment Agreement was effective September 30, 1997 and has a term through June 30, 2002. Either party may terminate the Employment Agreement for cause. Dr. Taub's base salary is set at $225,000 per year, but may be modified by the mutual agreement of CECO and Dr. Taub. In addition to his base salary, Dr. Taub is entitled to (i) a $2,000 IRA contribution by CECO, (ii) a car for business use, or in the alternative, an expense reimbursement for his personal car up to $600 per month, (iii) life, medical, dental and disability insurance, and (iv) up to 25 days of paid vacation annually. In addition, Dr. Taub will receive fees for service as a director of CECO equal to the highest fee paid to any other director of CECO or its affiliates.

Under the terms of the Employment Agreement, upon Dr. Taub's death, the Company must redeem, at the request of Dr. Taub's estate, all of the stock owned by Dr. Taub. The price of such redeemed stock will be the lesser of $2,000,000 or its market value. Either CECO or the Company must maintain at least $2,000,000 of life insurance on the life of Dr. Taub to pay for such redemption.

Dr. Taub has agreed not engage in any business competitive with CECO for a term of two years after termination of his employment. The Employment Agreement also provides that Dr. Taub will receive 210,520 options for stock of the Company in exchange for options of stock of CECO.

The following table summarizes the total compensation of Andrew M. Halapin, President and Chief Operating Officer of Busch, for 1997. There were no other executive officers of Busch who received compensation in excess of $100,000 for 1997. Mr. Halapin did not receive any options or SAR grants from the Company or Busch in 1997.

SUMMARY COMPENSATION TABLE FOR NEW BUSCH CO., INC.:

Name/ Principal Position	Annual Compensation Year	Salary	Bonus(1)	All Other Compensation(2)
Andrew M. Halapin President and Chief Operating Officer	1997	$100,000	$500,000	$100,000

Busch entered into an Employment, Non-Compete and Confidentiality Agreement dated September 25, 1997 with Andrew M. Halapin, pursuant to which Mr. Halapin agreed to be Busch's President and chief operating officer until June 30, 2000. Mr. Halapin receives a $200,000 annual salary. Mr. Halapin is also entitled to a bonus depending upon whether Busch meets or exceeds certain target earnings. Mr. Halapin agrees to not compete with Busch and its affiliates (including CECO) for two years from the date of the Employment Agreement or one year from the date of termination of the Employment Agreement, whichever is later. As compensation for Mr. Halapin's agreement not to compete, he received $100,000 upon execution of the Employment Agreement and is entitled to additional $200,000 annual payments for four years, for a total payment of $900,000 for Mr. Halapin's agreement not to compete with Busch and its affiliates. Upon termination of the Employment Agreement, Busch is required to pay Mr. Halapin $450,000 before January 31, 2002 in consideration of Mr. Halapin's providing certain consulting services to CECO.

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(1) Represents a $500,000 signing bonus.

(2) Represents a $100,000 payment for consideration of a non-compete agreement contained in Mr. Halapin's Employment Agreement.

Item 11. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth the name and address of each beneficial owner of more than five percent (5%) of the Company's common stock known to the Company, the number of shares of common stock of the Company beneficially owned as of March 9, 1998, and the percent of the class so owned by each such person.

Name of Beneficial Owner	No. of Shares of Common Stock Beneficially Owned	% of Total CEC Common Shares Outstanding(1)
Icarus Investment Corp.(2) 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1X3	1,334,360	15.9%
Phillip DeZwirek(2,3,4) 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1P7	2,089,857	22.8%
IntroTech Investments, Inc(5) 195 Hillsdale Avenue East Toronto, Ontario M5S 1T4	1,598,666	19.0%
Jason Louis DeZwirek(2,5) 195 Hillsdale Avenue East Toronto, Ontario M5S 1T4	2,933,026	34.9%

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(1) Based upon 8,415,048 shares of common stock of the Company outstanding as of March 9, 1998.

(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 CEC owned by Icarus Investment Corp. also are attributed to both Messrs. Phillip DeZwirek and Jason Louis DeZwirek. With respect to the shares owned by Icarus, Icarus has sole dispositive and voting power and Phillip DeZwirek and Jason Louis DeZwirek are deemed to have shared voting and shared dispositive power.

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

(4) Includes 750,000 shares of the Company's common stock that Phillip DeZwirek can purchase on or prior to November 7, 2006 from the Company at a price of $1.75 per share pursuant to Warrants granted to Mr. DeZwirek by the Company on November 7, 1996. Excludes 250,00 shares that may be purchased pursuant to Warrants granted January 18, 1998, which are not exercisable until June 14, 1998.

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

Steven Taub(6)	624,604	7.4%

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(6) Includes 42,104 shares of the Company's common stock that Dr. Taub may purchase by the exercise of options. Also includes 100,000 shares of stock that are being held in escrow pursuant to the Agreement and Plan of Reorganization dated August 13, 1997, pending results of audited 1998 financials of the Company. If 1998 revenues of CECO are greater than 1997 revenues, the 100,000 shares will be delivered to Dr. Taub. If 1998 revenues are greater than 95% and less than 100% of 1997 revenues of CECO, Dr. Taub will receive 50,000 of the escrowed shares; the remainder to be returned to the Company. If 1998 revenues are less than 95% of 1997's revenues of CECO, the Company will receive all of the 100,000 shares. Prior to completion of such financials, Dr. Taub has voting control of the escrowed shares.

(b) Security Ownership of Management

As of March 9, 1998, 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 of Beneficial Owner and Position Held	Number of Shares of Common Stock Beneficially Owned	% of Total CEC Common Shares Outstanding(1)
Phillip DeZwirek Chief Financial Officer, Chief Executive Officer, Chairman of the Board of Directors	2,089,857(2)	22.8%
Jason Louis DeZwirek Director, Secretary	2,933,026(3)	34.9%
Josephine Grivas Director	---	---
Donald Wright Director	---	---
Officers and Directors as a group (4 persons)	3,688,523	40.2%

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(1) See Note 1 to the foregoing table.

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

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

(c) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Since January 1, 1996, 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.

The Company and CECO have entered into a five (5) year written management and consulting agreement pursuant to which the Company provides management and financial consulting services to CECO. The Company advises CECO on corporate policies, strategic and financial planning, mergers and acquisitions, financing, long-term financial goals and growth plans and related matters. This agreement was made as of January 1, 1994 and became effective as of July 1, 1994. Pursuant to this agreement CECO paid the Company management and financial consulting fees of $40,000 per month from July 1, 1994 through December 31, 1994 ($240,000 total), and paid $20,000 per month ($240,000 total) for the 1995, 1996 and 1997 fiscal years. The contract requires monthly fees of $20,000 through the end of its term. The consulting agreement with CECO terminates on December 31, 1998, and may be terminated earlier upon the bankruptcy or liquidation of CECO or the Company, by the non-bankrupt party. The consulting agreement may also be terminated upon the sale of substantially all of the assets of CECO or the merger of CECO into another company, in which event the Company is entitled to receive a severance fee of $240,000.

On September 25, 1997, CECO borrowed $500,000 from the Company to help fund the purchase of the assets for Busch. The loan is a subordinated, unsecured loan. No principal may be repaid until the entire balance of a $1,000,000 loan from CoreStates Bank, N.A. is repaid in full. The Company, however, receives payments of interest. Interest accrues on the unpaid principal at the rate of 10% per annum.

Andrew Halapin, 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 $133,308.

Item 13. Exhibits, Lists and Reports on Form 8-K

(a) Exhibits

2.1	Agreement and Plan of Reorganization dated August 13, 1997 between CECO, the Company and Steven I. Taub.
3(i)	Articles of Incorporation (Incorporated by reference from Form 10-KSB dated December 31, 1993 of the Company)
3(ii)	Bylaws (Incorporated by reference from Form 10-KSB dated December 31, 1993 of the Company)
4.1	Form of Warrant to be issued to broker-dealers and dealers in securities (Incorporated by reference from CECO's Registration Statement on Form S-18 declared effective on August 12, 1987)
4.2	1987 CECO Filters, Inc. Key Employees and Key Personnel Stock Option Plan (Incorporated by reference from CECO's Registration Statement on Form S-18 declared effective on August 12, 1987)
4.3	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)
4.4	CECO Environmental Corp. 1997 Stock Option Plan.
10.13	Stock Purchase Agreement dated as of March 27, 1991 between CECO and Michael Edge (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1990)
10.14	Agreement of Sale dated July 2, 1991 between CECO and Bassett Properties, Inc. (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.14.1	Addendum to Agreement of Sale dated July 14, 1991 (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.14.2	Second Addendum to Agreement of Sale dated July 23, 1991 (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)

10.15	Loan Agreement dated September 1, 1991 between CECO and Philadelphia Economic Development Financing Authority (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.16	Reimbursement Agreement dated September 1, 1991 between CECO and Philadelphia National Bank (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.17	Mortgage dated October 28, 1991 by CECO and the Montgomery County Industrial Development Corporation ("MCIDC") (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.18	Mortgage dated October 28, 1991 by CECO and MCIDC (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.19	Installment Sale Agreement dated October 28, 1991 between CECO and MCIDC (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.20	Acquisition Agreement dated October 28, 1991 between CECO and MCIDC (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.21	Lease dated as of March 10, 1992 between CECO and BTR North America, Inc. (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.22	Agreement of Purchase and Sale of Assets dated as of March 10, 1992 by and among A.P. Acquisition Corp., CECO, Air Purator Corporation and Vericon Corporation (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1991)
10.23	Stock Purchase Agreement dated as of December 23, 1991, between CECO, Steven I. Taub, Introtech Investments, Inc. and Trio Growth Trust (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1992)
10.24	Promissory Note from Steven I. Taub to CECO in the amount of $83,334 (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1992)

10.25	Commercial Promissory Note dated February 25, 1993 between CECO and Corestates Bank, N.A. (Incorporated by reference from CECO's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1993)
10.26	Commercial-Industrial Mortgage dated February 25, 1993 between CECO and Corestates Bank, N.A. (Incorporated by reference from CECO's Annual Report on Form 10-KSB for the fiscal year ended December 31, 1993)
10.27	Stock Sale Agreement, dated June 18, 1992, between Registrant and Phillip DeZwirek relating to Can-Med Technology, Inc. stock (Incorporated by reference from Form 8-K dated June 18, 1993 of the Company)
10.28	Stock Sale Agreement, dated June 18, 1993, between Registrant and Phillip DeZwirek relating to API Electronics, Inc. stock (Incorporated by reference from Form 8-K dated June 18, 1993 of the Company)
10.29	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)
10.30	Consulting Agreement, dated as of April 1, 1995 between the Company and Pioneer Capital Consulting Corp. (Incorporated by reference from the Company's Quarterly Report on 10-QSB for the quarter ended March 31, 1995)
10.31	Consulting Agreement among the Company, Robert A. Lerman and John F. Ferraro, dated as of April 1, 1995, which agreement replaced Exhibit 10.30. (Incorporated by reference from the Company's Registration Statement on Form S-8 dated August 29, 1995)
10.32	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)
10.33	Warrant Agreement dated as of January 14, 1998 between the Company and Phillip DeZwirek.
10.34	Asset Purchase Agreement among New Busch Co., Inc., Busch Co. and Andrew Halapin dated September 9, 1997. (Incorporated by reference from the Form 8-K filed by CECO on October 9, 1997 with respect to event of September 25, 1997)

10.35	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)
10.36	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)
10.37	$1,000,000 Note of CECO payable to Corestates Bank, N.A. dated September 25, 1997.
10.38	$1,500,000 Demand Note of CECO payable to Corestates Bank, N.A. dated September 25, 1997.
10.39	Loan Agreement between CECO and Corestates Bank, N.A. dated September 24, 1997.
10.40	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.
10.41	Lease between Joseph V. Salvucci and Busch Co. dated October 17, 1994.
21	Subsidiaries of the Company.
27	Financial Data Schedule.

(b) Reports on Form 8-K

The Company filed a report on Form 8-K during the fiscal quarter ended December 31, 1997. This report, dated September 25, 1997 and filed October 10, 1997, reported that the Company had acquired substantially all of the assets of Busch Co., a Pennsylvania corporation. On December 8, 1997, a Form 8-K/A was filed, which contained the financial statements of the business acquired and pro-forma consolidated financial statements for the Company and its subsidiaries.

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
Chief Financial Officer
Dated: March 23, 1998

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

Principal Executive, Financial
and Accounting Officer

/s/ Phillip DeZwirek — March 23, 1998

Phillip DeZwirek, Chairman of the
Board and Director,
Principal Executive, Financial
and Accounting Officer

/s/ Jason Louis DeZwirek — March 23, 1998

Jason Louis DeZwirek, Director

/s/ Josephine Grivas — March 23, 1998

Josephine Grivas, Director

/s/ Donald Wright — March 23, 1998

Donald Wright, Director

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH
REPORTS FILED PURSUANT TO SECTION 15(d) OF
THE EXCHANGE ACT BY NON-REPORTING ISSUERS

The Company has not furnished to its security holders an annual report or proxy materials since the filing of its immediately prior report on Form 10-KSB. The Company will furnish to its security holders an annual report and proxy materials subsequent to filing this Form 10-KSB.

EXHIBIT 2.1

AGREEMENT AND PLAN OF REORGANIZATION

This Agreement and Plan of Reorganization (the "Agreement") is made as of the 13th day of August, 1997 by and between CECO Environmental Corp., a New York corporation (the "Acquiror"), CECO Filters, Inc., a Delaware corporation ("CECO"), and Steven I. Taub (the "Shareholder").

RECITALS:

A. The Shareholder is the owner of 1,165,000 shares of common stock ("CECO Shares") of CECO.

B. Acquiror wishes to acquire and the Shareholder wishes to transfer all of the CECO Shares in a transaction intended to qualify as a reorganization within the meaning of Internal Revenue Code ("IRC") ss.368(a)(1)(B), as amended, in exchange for 582,500 shares of the Acquiror's common stock (the "CEC Shares").

C. There is a dispute between Acquiror and the Shareholder regarding the value of the CECO Shares. Because of said dispute, the Shareholder and the Acquiror agree to place 100,000 of the CEC Shares (the "Escrowed Shares") into an escrow subject to the amount by which gross revenues of CECO for the calendar year 1998 equal or exceed target levels.

AGREEMENT:

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

1. Exchange of Shares. In accordance with the terms and subject to the conditions contained herein, Acquiror hereby agrees to issue to the Shareholder the CEC Shares in exchange for the CECO Shares.

2. The Closing.

2.1 Delivery by Acquiror. The Acquiror shall deliver to the Shareholder certificates representing 482,500 of the CEC Shares (the "Delivered Shares") issued in the name of the Shareholder and the Acquiror shall deliver the certificates representing the Escrowed Shares issued in the name of the Shareholder to the Acquiror or such other party as the Acquiror and Shareholder agree upon, who shall hold such Escrowed Shares as escrowee ("Escrowee").

2.2 Delivery by Shareholder. The Shareholder shall deliver to the Acquiror the CECO Shares endorsed in blank or

accompanied by assignments separate from certificate sufficient to transfer the CECO Shares into the name of the Acquiror. The Shareholder shall deliver to the Escrowee assignments separate from certificates sufficient to transfer both fifty percent (50%) and one hundred percent (100%) of the Escrowed Shares to the Acquiror.

2.3 Closing Date. The closing of the transaction contemplated hereby (the "Closing") shall occur at a time, date and place mutually agreed by the parties hereto.

3. Escrowed Shares.

3.1 Release of Escrowed Shares. The Escrowed Shares and assignments separate from certificates, shall be released to the Shareholder and/or the Acquiror in accordance with subsections 3.1(a)-(c) below following the receipt by the Acquiror of CECO's audited financial statements for the year ending December 31, 1998, as prepared by CECO's regular independent accountants.

(a) Gross Revenues Equal to or Greater Than 1997 Revenues. In the event that the gross revenues of CECO for the year ending December 31, 1998 are equal to or greater than the gross revenues of CECO for the year ending December 31, 1997, as shown by CECO's audited financial statements prepared by CECO's regular independent accountants, Escrowee shall promptly deliver all of the Escrowed Shares and assignments separate from certificates that were previously delivered to Escrowee to the Shareholder.

(b) Gross Revenues Ninety-Five Percent of 1997 Gross Revenues. In the event that the gross revenues of CECO for the year ending December 31, 1998 are equal to or greater than ninety-five percent (95%) of the gross revenues of CECO for the year ending December 31, 1997, but less than one hundred percent (100%) of the gross revenues for the year ending December 31, 1997, as shown by CECO's audited financial statements prepared by CECO's regular independent accountants, Escrowee shall promptly deliver fifty percent (50%) of the Escrowed Shares and assignments separate from certificates that were previously delivered to Escrowee to the Shareholder and fifty percent (50%) of the Escrowed Shares to the Acquiror with the assignment separate from certificate to transfer fifty percent (50%) of the Escrowed Shares into the name of the Acquiror.

(c) Gross Revenues Less Than Ninety-Five Percent of 1997 Gross Revenues. In the event that the gross revenues of CECO for the year ending December 31, 1998 are less than ninety-five percent (95%) of the gross revenues of CECO for the year ending December 31, 1997, as shown by CECO's audited financial statements prepared by CECO's regular independent accountants, Escrowee shall promptly deliver all of the Escrowed Shares to the Acquiror with the assignment separate from certificate to transfer one hundred percent (100%) of the Escrowed Shares into the name of the Acquiror.

3.2 Ownership of Escrowed Shares. As of the date of Closing, the books and records of the Acquiror shall be changed to reflect the Shareholder as the owner of the Escrowed Shares, unless and until a portion or all of such Escrowed Shares are returned to the Acquiror in accordance with Section 3.1. Until the Escrowed Shares are released by the Escrowee, all dividends paid on the Escrowed Shares shall be distributed to the Shareholder and all voting rights of such Escrowed Shares shall be exercisable by or on behalf of the Shareholder or his authorized agent.

4. Representations and Warranties of the Acquiror. The Acquiror hereby represents and warrants to the Shareholder as follows:

4.1 The Acquiror. The Acquiror is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and has all requisite right, power and authority necessary to own, lease and operate all of its property and to carry on its business as it is now being carried on. The Acquiror has taken all actions necessary to permit it lawfully to do business in all jurisdictions where it is currently conducting its business.

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

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

4.4 Issuance. Upon delivery of the Delivered Shares to the Shareholder and the Escrowed Shares to the Escrowee, the CEC Shares will be validly issued and delivered and fully paid and nonassessable.

5. Representations, Warranties and Covenants of the Shareholder. The Shareholder hereby represents and warrants to the Acquiror as follows:

5.1 The Shareholder. The Shareholder has the legal capacity to enter into this Agreement.

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

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

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

5.5 Ownership. The Shareholder has good and marketable title to the CECO Shares free and clear of all liens, security interests and other encumbrances.

5.6 Information. The Shareholder or his representative(s) have had the opportunity to examine to the full extent that they desired all the books and records of the Acquiror, and to discuss the business, assets and prospects of the Acquiror with the Acquiror's officers. The Shareholder acknowledges and agrees that he (i) has received no information with respect to CECO from the Acquiror or the Acquiror's representatives, (ii) has his own sources of information with respect to CECO and (iii) is as fully informed as he desires with respect to the business, assets and prospects of CECO and the Acquiror.

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

6.1 Representations True at Closing. The representations and warranties of the Acquiror contained in Section 4 of this Agreement shall be true in all material respects on the date hereof and at the time of the Closing.

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

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

7.1 Representations True at Closing. The Shareholder's representations and warranties contained in Section 5 of this Agreement shall be true in all material respects at the date hereof and at the time of the Closing.

7.2 Litigation. No litigation or proceeding shall be pending or threatened at the time of the Closing to restrain, set aside or invalidate the transactions contemplated by this Agreement.

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

9. Termination. If any of the conditions for the consummation by the Acquiror or the Shareholder of the Closing of the transactions hereunder shall not have been fulfilled (despite the best efforts of the party, if any, obligated to fulfill such condition) or waived by the date 90 days from the date hereof, then this Agreement may thereafter be terminated by any party hereto. Such termination hereunder shall be effected by notice by the terminating party to the other parties hereunder, and upon such termination this Agreement shall be without further force and effect, and no party hereto shall be liable to any other for any claim, damage, cost or expense arising from the execution and delivery of this Agreement or the failure to consummate the transactions contemplated hereby.

10. Remedies. The parties hereto, in addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, shall be entitled to specific performance of their rights under this Agreement and all other appropriate equitable remedies. The parties agree that monetary damages would not be adequate compensation for any loss incurred by reason of a breach of the provisions of this Agreement, and hereby

agree to waive the defense, in any action for specific performance, that monetary damages would be adequate compensation. The parties hereto further agree that in the event of any breach of this Agreement, the breaching party shall be liable for all damages arising as a consequence of such breach, including without limitation, costs and expenses (including, without limitation, attorneys' fees), incurred by the non-breaching party in attempting to enforce its or his rights hereunder.

11. Reporting Requirements. The parties hereto agree to comply with the reporting requirements of Regulation 1.368-3 promulgated under the IRC.

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

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

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

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

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

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

12.6 Notices. Any notice or other instrument or thing required or permitted to be given, served or delivered to any of the parties hereto shall be in writing and shall be considered given when hand-delivered to the recipient or two (2) days after deposit with the U.S. Postal Service, using registered mail, air mail (if available), postage prepaid, or two (2) days after deposit with a recognized overnight courier service, addressed to the recipient at:

The Acquiror:

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

The Shareholder:

Steven I. Taub
1325 Centennial Road
Penn Valley, PA 19072

CECO:

CECO Filters, Inc.
1027-29 Conshohocken Road
Conshohocken, PA 19428-0683

or at such other address as a party may designate to another party in accordance with the terms of this Section 12.6.

12.7 Governing Law. This Agreement shall in all respects be governed by the laws of the State of New York and the United States of America (without respect to their choice of law rules).

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

12.9 Miscellaneous. Wherever necessary or proper herein, the singular imports the plural or vice versa, and masculine, feminine and neuter expressions are interchangeable. Any reference to section numbers in this Agreement shall be deemed to be to sections in the Agreement. The section titles used herein are provided for reference purposes only and shall affect neither the meaning of the terms nor the intent of the parties. Any portion of this Agreement which shall be deemed void, unenforceable, or contrary to public policy by a court of competent jurisdiction shall be deemed to be reduced in scope to that point at which it is valid and enforceable, and if it cannot be so reduced, it shall be deemed severed from this Agreement, without affecting the remaining provisions of this Agreement.

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

THE ACQUIROR:

CECO ENVIRONMENTAL CORP.

By:/s/ Phillip DeZwirek
Its:/s/ President

SHAREHOLDER:

/s/ Steven I. Taub
Steven I. Taub

ESCROWEE:

CECO ENVIRONMENTAL CORP.

By:/s/ Phillip DeZwirek
Its:/s/ President

CECO FILTERS, INC.

By:/s/ Phillip DeZwirek
Its:/s/ Vice-President

EXHIBIT 4.4

CECO ENVIRONMENTAL CORP.

1997 STOCK OPTION PLAN

SECTION 1.

DEFINITIONS

As used herein, the following terms shall have the meanings indicated below:

(a) "Committee" shall mean a Committee of two or more directors who shall be appointed by and serve at the pleasure of the Board. If the Company's securities are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, then, to the extent necessary for compliance with Rule 16b-3, or any successor provision, each of the members of the Committee shall be a "Disinterested Director" or "Non-Employee Director." For purposes of this Section l(a), "Non-Employee Director" shall have the same meaning as set forth in Rule 16b-3, or any successor provision, as then in effect, of the general rules and regulations under the Securities Exchange Act of 1934, as amended ("Exchange Act").

(b) The "Code" is the Internal Revenue Code of 1986, as amended from time to time.

(c) The "Company" shall mean CECO Environmental Corp., a New York corporation.

(d) "Fair Market Value" as of any day shall mean (i) if such stock is reported by the Nasdaq National Market or Nasdaq SmallCap Market or is listed upon an established stock exchange or exchanges, the reported closing price of such stock by the Nasdaq National Market or Nasdaq SmallCap Market or on such stock exchange or exchanges on such date or, if no sale of such stock shall have occurred on such date, on the next preceding day on which there was a sale of stock; (ii) if such stock is not so reported by the Nasdaq National Market or Nasdaq SmallCap Market or listed upon an established stock exchange, the average of the closing "bid" and "asked" prices quoted by the National Quotation Bureau, Inc. (or any comparable reporting service) on such date or, if there are no quoted "bid" and "asked" prices on such date, on the next preceding date for which there are such quotes; or (iii) if such stock is not publicly traded as of such date, the per share value as determined by the Board, or the Committee, in its sole discretion by applying principles of valuation with respect to the Company's Common Stock in accordance with Code Section 422.

(e) "Option Stock" shall mean Common Stock of the Company (subject to adjustments as described in Section 12) reserved for options pursuant to this Plan.

(f) The "Optionee" means an employee of the Company or any Subsidiary to whom an incentive stock option has been granted pursuant to Section 9.

(g) The "Plan" means the CECO Environmental Corp. 1997 Stock Option Plan, as amended hereafter from time to time, including the form of Option Agreements as they may be modified by the Board from time to time.

(h) "Related Corporation" means a Parent Corporation or a Subsidiary Corporation each as defined in Code Section 424.

(i) "Subsidiary" means a subsidiary corporation as that term is defined in Code Section 424.

SECTION 2

PURPOSE

The purpose of the Plan is to promote the success of the Company and its Subsidiaries by facilitating the retention of competent personnel and by furnishing incentives to officers, directors, employees, consultants, and advisors upon whose efforts the success of the Company and its subsidiaries will depend to a large degree.

It is the intention of the Company to carry out the Plan through the granting of stock options which will qualify as "incentive stock options" under the provisions of Code Section 422 or any successor provision, pursuant to Section 9 of this Plan. Adoption of this Plan shall be and is expressly subject to the condition of approval by the shareholders of the Company within twelve (12) months before or after the adoption of the Plan by the Board of Directors. Any incentive stock options granted after adoption of the Plan by the Board of Directors shall be treated as nonqualified stock options if shareholder approval is not obtain within such twelve-month period.

SECTION 3

EFFECTIVE DATE OF PLAN

The Plan shall be effective as of the date of adoption by the Board of Directors, subject to approval by the shareholders of the Company as required in Section 2.

SECTION 4

ADMINISTRATION

The Plan shall be administered by a Committee which may be appointed by the Board from time to time (collectively referred to as the "Administrator"). The Administrator shall have all of the powers vested in it under the provisions of the Plan, including but not limited to exclusive authority (where applicable and within the limitations described in the Plan) to determine, in its sole discretion, whether an incentive stock option shall be granted, the individuals to whom, and the time or times at which, options shall be granted, the number of shares subject to each option and the option price and terms and conditions of each option. The Administrator shall have full power and authority to administer and interpret the Plan, to make and amend rules, regulations and guidelines for administering the Plan, to prescribe the form and conditions of the respective stock option agreements (which may vary from Optionee to Optionee) evidencing each option and to make all other determinations necessary or advisable for the administration of the Plan. The Administrator's interpretation of the Plan, and all actions taken, and determinations made by the Administrator pursuant to the power vested in it hereunder, shall be conclusive and binding on all parties concerned.

No member of the Committee shall be liable for any action taken or determination made in good faith in connection with the administration of the Plan. Upon the appointment of a Committee by the Board as provided hereunder, any action of the Committee with respect to the administration of the Plan shall be taken pursuant to a majority vote of the Committee members or pursuant to the written resolution of all Committee members.

SECTION 5

PARTICIPANTS

The Administrator shall, from time to time, at its discretion and without approval of the shareholders, designate those employees of the Company or any Subsidiary to whom incentive stock options shall be granted pursuant to Section 9 of the Plan. The Administrator may grant additional incentive stock options under this Plan to some or all participants then holding options or may grant options solely or partially to new participants. In designating participants, the Administrator shall also determine the number of shares to be optioned to each such participant. The Administrator may from time to time designate individuals as being ineligible to participate in the Plan.

SECTION 6

STOCK

The Stock to be optioned under this Plan shall consist of authorized but unissued shares of Option Stock. One million, five hundred thousand (1,500,000) Shares of Option Stock shall be reserved and available for options under the Plan; provided, however, that the total number of shares of Option Stock reserved for options under this Plan shall be subject to adjustment as provided in Section 11 of the Plan. In the event that any outstanding option under the Plan for any reason expires or is terminated prior to the exercise thereof, the shares of Option Stock allocable to the unexercised portion of such option shall continue to be reserved for options under the Plan and may be optioned hereunder.

SECTION 7

DURATION OF PLAN

Incentive stock options may be granted pursuant to the Plan from time to time during a period of ten (10) years from the effective date as defined in Section 3. Any incentive stock option granted during such ten-year period shall remain in full force and effect until the expiration of the option as specified in the written stock option agreement and shall remain subject to the terms and conditions of this Plan.

SECTION 8

PAYMENT

Optionees may pay for shares upon exercise of options granted pursuant to this Plan with cash, personal check, certified check, or such other form of payment as may be authorized by the Administrator. The Administrator may, in its sole discretion, limit the forms of payment available to the Optionee and may exercise such discretion any time prior to the termination of the option granted to the Optionee or upon any exercise of the option by the Optionee.

With respect to payment in the form of Common Stock of the Company, the Administrator may require advance approval or adopt such rules as it deems necessary to assure compliance with Rule 16b-3, or any successor provision, as then in effect, of the general rules and regulations under the Securities Exchange Act of 1934, if applicable.

SECTION 9

TERMS AND CONDITIONS OF INCENTIVE STOCK OPTIONS

Each incentive stock option granted pursuant to this Section 9 shall be evidenced by a written stock option agreement (the "Option Agreement"). The Option Agreement shall be in such form as may be approved from time to time by the Administrator and may vary from Optionee to Optionee; provided, however, that each Optionee and each Option Agreement shall comply with and be subject to the following terms and conditions:

(a) Number of Shares and Option Price. The Option Agreement shall state the total number of shares covered by the incentive stock option. To the extent required to qualify the Option as an incentive stock option under Code Section 422, or any successor provision, the option price per share shall not be less than one hundred percent (100%) of the Fair Market Value of the Common Stock per share on the date the Administrator grants the option; provided, however, that if an Optionee owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of its Parent or any Subsidiary, the option price per share of an incentive stock option granted to such Optionee shall not be less than one hundred ten percent (110%) of the Fair Market Value of the Common Stock per share on the date of the grant of the option. The Administrator shall have full authority and discretion in establishing the option price and shall be fully protected in so doing.

(b) Term and Exercisability of Incentive Stock Option. The term during which any incentive stock option granted under the Plan may be exercised shall be established in each case by the Administrator. To the extent required to qualify the Option as an incentive stock option under Section 422 of the Internal Revenue Code, or any successor provision, in no event shall any incentive stock option be exercisable during a term of more than ten (10) years after the date on which it is granted; provided, however, that if an Optionee owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of its parent or any Subsidiary, the incentive stock option granted to such Optionee shall be exercisable during a term of not more than five (5) years after the date on which it is granted.

The Option Agreement shall state when the incentive stock option becomes exercisable and shall also state the maximum term during which the option may be exercised. In the event an incentive stock option is exercisable immediately, the manner of exercise of the option in the event it is not exercised in full immediately shall be specified in the Option Agreement. The Administrator may accelerate the exercisability of any incentive stock option granted hereunder which is not immediately exercisable as of the date of grant.

(c) Maximum Size of Incentive Stock Option As Such. To the extent that the aggregate Fair Market Value of Common Stock for which an Incentive Stock Option becomes exercisable by the Optionee for the first time in any calendar year exceeds $100,000, the portion of such incentive stock option which exceeds such $100,000 limitation shall be treated as a Non-Statutory Stock Option and not an incentive stock option under Code Section 422. For purposes of this Section 9, all incentive stock options granted to an Optionee by the Company, as well as any options that may have been granted to the Optionee under any other stock incentive plans of the Company or any Related Corporation which are intended to comply with the provisions Code Section 422 shall be considered in the order in which they were granted, and the Fair Market Value as of the time they were granted.

(d) Other Provisions. The Option Agreement authorized under this Section 9 shall contain such other provisions as the Administrator shall deem advisable. Any such Option Agreement shall contain such limitations and restrictions upon the exercise of the option as shall be necessary to ensure that such option will be considered an "incentive stock option" as defined in Section 422 of the Internal Revenue Code or to conform to any change therein. To the extent, if any, that the Option Agreement is classified as a formula award plan under Rule 16b-3(c)(2)(ii) of the Securities and Exchange Act of 1933, the formula provisions cannot be amended more often than once every six months except to comport with changes in the Internal Revenue Code, ERISA, or the rules thereunder.

SECTION 10

TRANSFER OF OPTION

No incentive stock option shall be transferable, in whole or in part, by the Optionee other than by will or by the laws of descent and distribution and, during the Optionee's lifetime, the option may be exercised only by the Optionee. If the Optionee shall attempt any transfer of any incentive stock option granted under the Plan during the Optionee's lifetime, such transfer shall be void and the incentive stock option, to the extent not fully exercised, shall terminate.

SECTION 11

ANTI-DILUTION ADJUSTMENTS

A pro rata adjustment for an increase or decrease in the number of shares of Common Stock of the Company subject to the Plan or that may be awarded to any individual in any year shall be made to give effect to any consolidation of shares, the equivalent value in stock of cash dividends, stock dividends, stock splits, stock combinations, recapitalization and other similar changes in the capital structure of the Company. Pro rata adjustments shall be made in the number, kind and price of shares of Common Stock of the Company covered by any outstanding Option hereunder to give effect

to any consolidation of shares, stock dividends, stock splits, stock combinations, recapitalization and similar changes in the capital structure in the Company, or a merger or dissolution or reorganization of the Company, after the date the Option is granted so that the Optionee is treated in a manner equivalent to that of holders of the underlying Common Stock.

SECTION 12

SECURITIES LAW COMPLIANCE

No shares of Common Stock shall be issued pursuant to the Plan unless and until there has been compliance, in the opinion of Company's counsel, with all applicable legal requirements, including without limitation, those relating to securities laws and stock exchange listing requirements. As a condition to the issuance of Option Stock to Optionee, the Administrator may require Optionee to (i) represent that the shares of Option Stock are being acquired for investment and not resale and to make such other representations as the Administrator shall deem necessary or appropriate to qualify the issuance of the shares as exempt from the Securities Act of 1933 and any other applicable securities laws, and (ii) represent that Optionee shall not dispose of the shares of Option Stock in violation of the Securities Act of 1933 or any other applicable securities laws.

In the event of a transaction (as defined in Section 12 of the Plan) which is treated as a "pooling of interests" under generally accepted accounting principles, Optionee will comply with Rule 145 of the Securities Act of 1933 and any other restrictions imposed under other applicable legal or accounting principles if Optionee is an "affiliate" (as defined in such applicable legal and accounting principles) at the time of the transaction, and Optionee will execute any documents necessary to ensure compliance with such rules.

The Company reserves the right to place a legend on any stock certificate issued upon exercise of an option granted pursuant to the Plan to assure compliance with this Section 13.

SECTION 13

RIGHTS AS A SHAREHOLDER

An Optionee (or the Optionee's successor or successors) shall have no rights as a shareholder with respect to any shares covered by an option until the date of the issuance of a stock certificate evidencing such shares. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property), distributions or other rights for which the record date is prior to the date such stock certificate is actually issued (except as otherwise provided in Section 12 of the Plan).

SECTION 14

AMENDMENT OF THE PLAN

The Board may from time to time, insofar as permitted by law, suspend or discontinue the Plan or revise or amend it in any respect; provided, however, that no such revision or amendment, except as is authorized in Section 12, shall impair the terms and

conditions of any option which is outstanding on the date of such revision or amendment to the material detriment of the Optionee without the consent of the Optionee. Notwithstanding the foregoing, no such revision or amendment shall (i) materially increase the number of shares subject to the Plan except as provided in Section 12 hereof, (ii) change the designation of the class of employees eligible to receive options, (iii) decrease the price at which options may be granted, or (iv) materially increase the benefits accruing to Optionees under the Plan without the approval of the shareholders of the Company if such approval is required for compliance with the requirements of any applicable law or regulation. Furthermore, the Plan may not, without the approval of the shareholders, be amended in any manner that will cause Incentive Stock Options to fail to meet the requirements of Code Section 422 of the Internal Revenue Code.

SECTION 15

NO OBLIGATION TO EXERCISE OPTION

The granting of an option shall impose no obligation upon the Optionee to exercise such option. Further, the granting of an option hereunder shall not impose upon the Company or any Subsidiary any obligation to retain the Optionee in its employ for any period.

EXHIBIT 10.33

CECO ENVIRONMENTAL CORP.

AND

PHILLIP DeZWIREK

WARRANT AGREEMENT

Dated as of January 14, 1998

WARRANT AGREEMENT (the "Agreement") dated as of January 14, 1998 between CECO Environmental Corp., a New York corporation (the "Company"), and Phillip DeZwirek (hereinafter referred to as a "Holder" or "DeZwirek").

W I T N E S S E T H :

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

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

and

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

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

1. Grant. DeZwirek is granted the right to purchase, from the Company, at any time from June 14, 1998 until 5:30 p.m., New York time, on January 14, 2008 (the "Expiration Date"), at which time the Warrants expire, up to an aggregate of 250,000 shares (subject to adjustment as provided in Section 8 hereof) of common stock, par value $.01 per share, of the Company ("Common Stock") at an initial exercise price (subject to adjustment as provided in Section 11 hereof) of $2.75 per share (the "Exercise Price").

2. Warrant Certificates. The warrant certificates (the "Warrant Certificates") delivered and to be delivered pursuant to this Agreement shall be in the form set forth in Exhibit

A, attached hereto and made a part hereof, with such appropriate insertions, omissions, substitutions, and other variations as required or permitted by this Agreement.

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

4. Exercise of Warrant.

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

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

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

6. Transfer of Warrant. The Warrants shall be transferable only on the books of the Company maintained at its principal office, where its principal office may then be located, upon delivery thereof duly endorsed by the Holder or by its duly authorized attorney or representative accompanied by proper evidence of succession, assignment or authority to transfer. Upon any

registration transfer, the Company shall execute and deliver new Warrants to the person entitled thereto.

7. Restriction On Transfer of Warrants. The Holder of a Warrant Certificate, by its acceptance thereof, covenants and agrees that the Warrants are being acquired as an investment and not with a view to the distribution thereof.

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

9. Registration Rights.

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

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

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

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

in the offering price or otherwise adversely affecting the offering, the Company will include in such registration (a) first, the securities the Company proposes to sell, (b) second, the securities held by the entities that made the demand for registration, (c) third, the Warrants and/or Warrant Shares requested to be included in such registration which in the opinion of such underwriter can be sold, pro rata among the Holders of Warrants and/or Warrant Shares on the basis of the number of Warrants and/or Warrant Shares requested to be registered by such Holders, and (d) fourth, other securities requested to be included in such registration.

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

9.3 Demand Registration.

(a) At any time commencing January 1, 1998 and expiring on the Expiration Date, the Holders of the Warrants and/or Warrant Shares representing a "Majority" (as hereinafter defined) of the Warrants and/or Warrant Shares shall have the right on one occasion (which right is in addition to the registration rights under Section 9.2 hereof), exercisable by written notice to the Company, to have the Company prepare and file with the Securities and Exchange Commission (the "Commission"), a registration statement and such other documents, including a prospectus, as may be necessary in the opinion of both counsel for the Company and counsel for the Holders, in order to comply with the provisions of the Act, so as to permit a public offering and sale by such Holders and any other Holders of the Warrants

and/or Warrant Shares who notify the Company within fifteen (15) days after the Company mails notice of such request pursuant to Section 9.3(b) hereof (collectively, the "Requesting Holders") of their respective Warrant Shares so as to allow the unrestricted sale of the Warrant Shares to the public from time to time until the earlier of the following: (i) the Expiration Date, or (ii) the date on which all of the Warrant Shares requested to be registered by the Requesting Holders have been sold (the "Registration Period").

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

(c) In addition to the registration rights under Section 9.2 and subsection (a) of this Section 9.3, at any time commencing January 1, 1998 and expiring on the Expiration Date, the Holders of Warrants and/or Warrant Shares shall have the right on one occasion, exercisable by written request to the Company, to have the Company prepare and file with the Commission a registration statement so as to permit a public offering and sale by such Holders of their respective Warrant Shares from time to time until the first to occur of the following: (i) the expiration of this Agreement, or (ii) all of the Warrant Shares requested to be registered by such Holders have been sold; provided, however, that the provisions of Section 9.4(b) hereof shall not apply to any such registration request and registration and all costs incident thereto shall be at the expense of the Holder or Holders making such request.

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

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

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

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

(d) The Company shall indemnify the Holder(s) of the Warrant Shares to be sold pursuant to any registration statement and each person, if any, who controls such

Holder(s) within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), against all loss, claim, damage, expense or liability (including all expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement.

(e) In order to provide for just and equitable contribution under the Act in any case in which (i) any Holder of the Warrant Shares or controlling person thereof makes a claim for indemnification but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 9.4(d) hereof provide for indemnification in such case or (ii) contribution under the Act may be required on the part of any Holder of the Warrant Shares, or controlling person thereof, then the Company, any such Holder of the Warrant Shares, or controlling person thereof shall contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, include, but not be limited to, all costs of defense and investigation and all attorneys fees), in either such case (after contribution from others) on the basis of relative fault as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or a Holder of Warrant Shares, or controlling person thereof on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and such Holders of such

securities and such controlling persons agree that it would not be just and equitable if contribution pursuant to this Section 9.4(e) were determined by pro rata allocation or by any other method which does not take account of the equitable considerations referred to in this Section 9.4(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 9.4(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

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

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

(h) The Company shall not permit the inclusion of any securities other than the Warrant Shares to be included in any registration statement filed pursuant to Section 9.3 hereof, or permit any other registration statement (other than a registration statement on Form S-4 or S-8) to be or remain effective during a one hundred and eighty (180) day period following the effective date of a registration statement filed pursuant to Section 9.3 hereof, without the prior written consent of the Holder(s) of the Warrants and Warrant Shares representing a Majority of such securities or as otherwise required by the terms of any existing registration rights granted prior to the date of this Agreement by the Company to the holders of any of the Company's securities.

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

(j) The Company shall as soon as practicable after the effective date of the registration statement, and in any event within 15 months thereafter, make "generally available to its security holders" (within the meaning of Rule 158 under the Act) an earnings statement (which need not be audited) complying with Section 11(a) of the Act and covering a period of at least 12 consecutive months beginning after the effective date of the registration statement.

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

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

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

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

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

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

11.1 Dividend, Subdivision and Combination. In case the Company shall (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a

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

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

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

11.4 Merger or Consolidation. In case of any consolidation of the Company with, or merger of the Company into, another corporation (other than a consolidation or merger

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

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

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

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

(c) If the amount of said adjustment shall be less than ten cents ($.10)

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

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

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

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

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

15. Notices to Warrant Holders. Nothing contained in this Agreement shall be construed as conferring upon the Holder(s) of the Warrants the right to vote or to consent or to

receive notice as a stockholder in respect of any meetings of stockholders for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, any of the following events shall occur:

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

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

(c) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business as an entirety shall be proposed; then in any one or more of said events, the Company shall give written notice to the registered holders of the Warrants of such event at least fifteen (15) days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, convertible or exchangeable securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of closing the transfer books, as the case may be. Failure to give such notice or any defect therein shall

not affect the validity of any action taken in connection with the declaration or payment of any such dividend, or the issuance of any convertible or exchangeable securities, or subscription rights, options or warrants, or any proposed dissolution, liquidation, winding up or sale.

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

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

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

17. Supplements; Amendments; Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and may not be modified or amended except by a writing duly signed by the party against whom enforcement of the modification or amendment is sought. The Company and DeZwirek may from time to time supplement or amend this Agreement without the approval of any Holders of Warrant Certificates (other than DeZwirek) in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any provisions herein, or to make any other provisions in regard to matters or questions arising hereunder which the Company and DeZwirek may deem necessary or desirable and which the Company and DeZwirek deem shall not adversely affect the interests of the Holders of Warrant Certificates.

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

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

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

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

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

23. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company and DeZwirek and any other registered

Holder(s) of the Warrant Certificates or Warrant Shares any legal or equitable right, remedy or claim under this Agreement; and this Agreement shall be for the sole and exclusive benefit of the Company and DeZwirek and any other Holder(s) of the Warrant Certificates or Warrant Shares.

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

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

ATTEST: CECO ENVIRONMENTAL CORP.

/s/ Josephine Grivas
- ----------
Josephine Grivas, Secretary

By:/s/ Phillip DeZwirek

Name:/s/ Phillip DeZwirek

Title:/s/ President

/s/ Phillip DeZwirek

Phillip DeZwirek

EXHIBIT A

[FORM OF WARRANT CERTIFICATE]

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

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

EXERCISABLE ON OR BEFORE
5:30 P.M., NEW YORK TIME, JANUARY 14, 2008

Warrant No. ____

WARRANT CERTIFICATE

This Warrant Certificate certifies that _____, or registered assigns, is the registered holder of Warrants to purchase initially, at any time from June 14, 1998 until 5:30 p.m., New York time, on January 14, 2008 ("Expiration Date"), up to _____ shares, of fully-paid and non-assessable common stock, $.01 par value ("Common Stock") of CECO Environmental Corp., a New York corporation (the "Company"), at the initial exercise price, subject to adjustment in certain events, of ($2.75) per share upon surrender of this Warrant Certificate and payment of the Exercise Price at the principal executive office of the Company, but subject to the conditions set forth herein. Payment of the Exercise Price shall be made by certified or official bank check in United States dollars payable to the order of the Company.

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

The Warrants evidenced by this Warrant Certificate are part of a duly authorized issue of Warrants issued pursuant to the Warrant Agreement, which Warrant Agreement is hereby incorporated by reference in and made a part of this instrument and is hereby referred to for a

description of the rights, limitation of rights, obligations, duties and immunities thereunder of the Company and the holders (the words "holders" or "holder" meaning the registered holders or registered holder) of the Warrants.

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

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

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

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

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

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

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

Dated as of _____, 199__.

ATTEST: CECO ENVIRONMENTAL CORP.

_____ By:_____[SEAL]
Secretary Name: _____
Title: _____

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

The undersigned hereby irrevocably elects to exercise the right, represented by Warrant Certificate No. _____ , to purchase _____ shares of Common Stock (as defined in the Warrant Agreement described below) and herewith tenders in payment for such securities a certified or official bank check payable in United States dollars to the order of CECO Environmental Corp., a New York corporation (the "Company") in the amount of $_____, all in accordance with the terms of Section 4.1 of the Warrant Agreement dated as of January 14, 1998 between the Company and Phillip DeZwirek. The undersigned requests that a certificate for such securities be registered in the name of , whose address is _____ and that such certificate be delivered to _____, whose address is _____, and if said number of shares of Common Stock shall not be all the shares of Common Stock purchasable hereunder, that a new Warrant Certificate for the balance of the shares of Common Stock purchasable under the within Warrant Certificate be registered in the name of the undersigned warrantholder or his assignee as below indicated and delivered to the address stated below.

Dated: _____

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

Address: _____
_____

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

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

[FORM OF ASSIGNMENT]

(To be executed by the registered holder if such holder desires to transfer the Warrant Certificate.)

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto [NAME OF TRANSFEREE] Warrant Certificate No._____, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ Attorney, to transfer the within Warrant Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____

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

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

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

Exhibit 10.37

NOTE

Philadelphia, Pennsylvania

Dated: September 25, 1997

$1,000,000.00

FOR VALUE RECEIVED AND INTENDING TO BE LEGALLY BOUND, the undersigned ("Borrower") hereby promises to pay to the order of CORESTATES BANK, N.A. ("Bank"), the principal sum of One Million Dollars ($1,000,000.00), together with interest thereon upon the following terms:

26. Term Note. This Note is the "Term Note" as defined in that certain Loan Agreement of even date herewith among Borrower and Bank (such Loan Agreement, as the same may be amended, supplemented or restated from time to time, being the "Loan Agreement") and, as such, shall be construed in accordance with all terms and conditions thereof. Capitalized terms not defined herein shall have such meaning as provided in the Loan Agreement. This Note is entitled to all the rights and remedies provided in the Loan Agreement and the Loan Documents and is secured by all collateral as described therein.

27. Interest Rate. Interest on the unpaid principal balance hereof will accrue from the date of advance until final payment thereof at a rate per annum which is one-half of one percent (1/2 of 1%) in excess of the Prime Rate in effect from time to time (such interest rate to change immediately upon any change in the Prime Rate).

28. Default Interest. Interest will accrue on the outstanding principal amount hereof following the occurrence of an Event of Default or the final maturity date hereof, until paid at the Default Rate.

29. Post Judgment Interest. Any judgment obtained for sums due hereunder or under the Loan Documents will accrue interest at the Default Rate until paid.

30. Computation. Interest will be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed.

31. Principal and Interest Payments on the Term Loan. Principal and accrued interest thereon is due and payable in forty-seven (47) equal and consecutive monthly installments of Twenty Thousand Eight Hundred Thirty-Three Dollars and Thirty-Three Cents ($20,833.33) each, plus interest, on the first day of each calendar month commencing on October 1, 1997 and in one final payment of the remaining principal balance plus all accrued

and unpaid interest thereon on September 1, 2001. Notwithstanding the foregoing payment schedule, the proceeds of any stock or equity offering initiated by Borrower during the term of this Note shall be applied against the principal balance of the Term Loan and any then outstanding Permitted Out-of-Formula Advances, together with any accrued interest due thereon, shall be due and payable in full, in inverse order of maturity.

32. Place of Payment. Principal and interest hereunder shall be payable as provided in the Loan Agreement, or at such other place as Bank, from time to time, may designate in writing.

33. Default; Remedies. Upon the occurrence of an Event of Default, Bank, at its option and without notice to Borrower, may declare immediately due and payable the entire unpaid balance of principal and all other sums due by Borrower hereunder and under the other Loan Documents, together with interest accrued thereon at the applicable rate specified above to the date of the Event of Default and thereafter at the Default Rate. Payment thereof may be enforced and recovered in whole or in part at any time and from time to time by one or more of the remedies provided to Bank in this Note or in the Loan Documents or as otherwise provided at law or in equity, all of which remedies are cumulative and concurrent.

34. Waivers. Borrower and all endorsers hereby, jointly and severally, 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.

35. Miscellaneous. If any provisions of this Note shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof. This Note has been delivered in and shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to the law of conflicts. This Note shall be binding upon Borrower and upon Borrower's successors and assigns and shall benefit Bank and its successors and assigns. The prompt and faithful performance of all of Borrower's obligations hereunder, including without limitation, time of payment, is of the essence of this Note.

36. CONFESSION OF JUDGMENT. BORROWER HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR THE PROTHONOTARY OR CLERK OF ANY COURT IN THE COMMONWEALTH OF PENNSYLVANIA, OR IN ANY OTHER JURISDICTION WHICH PERMITS THE ENTRY OF JUDGMENT BY CONFESSION, TO APPEAR FOR BORROWER AT ANY TIME AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE LOAN AGREEMENT IN ANY ACTION BROUGHT AGAINST BORROWER ON THIS NOTE OR THE LOAN DOCUMENTS AT THE SUIT OF BANK, WITH OR WITHOUT COMPLAINT OR DECLARATION FILED, WITHOUT STAY OF EXECUTION, AS OF ANY TERM OR TIME, AND THEREIN TO CONFESS OR ENTER JUDGMENT AGAINST BORROWER FOR THE ENTIRE UNPAID OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AND ALL OTHER SUMS TO BE PAID BY BORROWER TO OR ON BEHALF OF BANK PURSUANT TO THE TERMS HEREOF OR OF THE LOAN DOCUMENTS AND ALL ARREARAGES OF INTEREST THEREON, TOGETHER WITH ALL COSTS AND OTHER EXPENSES AND AN ATTORNEY'S COLLECTION COMMISSION OF

FIFTEEN PERCENT (15%) OF THE AGGREGATE AMOUNT OF THE FOREGOING SUMS, BUT IN NO EVENT LESS THAN $5,000.00; AND FOR SO DOING THIS NOTE OR A COPY HEREOF VERIFIED BY AFFIDAVIT SHALL BE A SUFFICIENT WARRANT. THE AUTHORITY GRANTED HEREIN TO CONFESS JUDGMENT SHALL NOT BE EXHAUSTED BY ANY EXERCISE THEREOF BUT SHALL CONTINUE FROM TIME TO TIME AND AT ALL TIMES UNTIL PAYMENT IN FULL OF ALL THE AMOUNTS DUE HEREUNDER. BORROWER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED BY COUNSEL IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THIS NOTE AND THAT IT KNOWINGLY WAIVES ITS RIGHT TO BE HEARD PRIOR TO THE ENTRY OF SUCH JUDGMENT AND UNDERSTANDS THAT, UPON SUCH ENTRY, SUCH JUDGMENT SHALL BECOME A LIEN ON ALL REAL PROPERTY OF BORROWER IN THE COUNTY WHERE SUCH JUDGMENT IS ENTERED AND THAT EXECUTION MAY IMMEDIATELY BE ISSUED ON THE JUDGMENT TO GARNISH, LEVY ON OR ATTACH ANY PERSONAL PROPERTY OF BORROWER.

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has caused this Note to be duly executed the day and year first above written.

CECO FILTERS, INC.

By:/s/ Steve I. Taub

Steven I. Taub, President

EXHIBIT 10.38

DEMAND NOTE

Philadelphia, Pennsylvania

Dated: September 25, 1997

$1,500,000.00

FOR VALUE RECEIVED AND INTENDING TO BE LEGALLY BOUND, the undersigned ("Borrower"), hereby promises to pay to the order of CORESTATES BANK, N.A. ("Bank"), ON DEMAND after the date hereof the principal sum of One Million Five Hundred Thousand Dollars ($1,500,000.00), or such greater or lesser principal amount as may be outstanding from time to time under the line of credit established by Bank for the benefit of Borrower pursuant to the terms of that certain Loan Agreement of even date herewith between Borrower and Bank (such Loan Agreement, as the same may be amended, supplemented or restated from time to time, being the "Loan Agreement"), together with interest thereon, upon the following terms:

1. Line Note. This Demand Note is the "Line Note" as defined in the Loan Agreement and, as such, shall be construed in accordance with all terms and conditions thereof. Capitalized terms not defined herein shall have such meaning as provided in the Loan Agreement. This Note is entitled to all the rights and remedies provided in the Loan Agreement and the Loan Documents and is secured by all Collateral as described therein.

2. Interest Rate. Interest on the unpaid principal balance hereof will accrue from the date of advance until final payment thereof at the rate per annum which is equal to one half of one percent (1/2 of 1%) in excess of the Prime Rate in effect from time to time (such interest rate to change immediately upon any change in the Prime Rate).

3. Default Interest. Interest will accrue on the outstanding principal amount hereof following demand for the payment hereof or the occurrence of an Event of Default until paid at the Default Rate.

4. Post Judgment Interest. Any judgment obtained for sums due hereunder or under the Loan Documents will accrue interest at the Default Rate until paid.

5. Computation. Interest will be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed.

6. Interest Payments. Interest which accrues on the outstanding principal balance hereof at the applicable rate set forth above shall be due and payable monthly, in arrears, on the first day of each calendar month, commencing on the first day of the first calendar month following the date hereof.

7. Place of Payment. Principal and interest hereunder shall be payable as provided

in the Loan Agreement, or at such other place as Bank, from time to time, may designate in writing.

8. Default; Remedies. Upon demand, Bank, at its option and without notice to Borrower, may declare immediately due and payable the entire unpaid balance of principal and all other sums due by Borrower hereunder or under the Loan Documents, together with interest accrued thereon at the applicable rate specified above. Payment thereof may be enforced and recovered in whole or in part at any time and from time to time by one or more of the remedies provided to Bank in this Note or in the Loan Documents or as otherwise provided at law or in equity, all of which remedies are cumulative and concurrent. THE INCLUSION OF EVENTS OF DEFAULT AND COVENANTS IN THE LOAN AGREEMENT SHALL NOT IN ANY WAY LIMIT THE DEMAND NATURE OF THIS NOTE. BORROWER UNDERSTANDS THAT BANK MAY MAKE DEMAND FOR PAYMENT AT ANY TIME FOR ANY OR NO REASON, WITHOUT REGARD TO WHETHER AN EVENT OF DEFAULT HAS OCCURRED.

9. Waivers. Borrower and all endorsers, jointly and severally, 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, except for such notices, if any, as are expressly required to be delivered by Bank to Borrower under the Loan Agreement.

10. Miscellaneous. If any provisions of this Note shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof. This Note has been delivered in and shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to the law of conflicts. This Note shall be binding upon Borrower and upon Borrower's, successors and assigns and shall benefit Bank and its successors and assigns. The prompt and faithful performance of all of Borrower's obligations hereunder, including without limitation, time of payment, is of the essence of this Note.

11. Confession of Judgment. BORROWER HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OR THE PROTHONOTARY OR CLERK OF ANY COURT IN THE COMMONWEALTH OF PENNSYLVANIA, OR IN ANY OTHER JURISDICTION WHICH PERMITS THE ENTRY OF JUDGMENT BY CONFESSION, TO APPEAR FOR BORROWER AT ANY TIME AFTER DEMAND HEREUNDER AS PROVIDED ABOVE OR AFTER THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THE LOAN AGREEMENT IN ANY ACTION BROUGHT AGAINST BORROWER ON THIS NOTE OR THE LOAN DOCUMENTS AT THE SUIT OF BANK, WITH OR WITHOUT COMPLAINT OR DECLARATION FILED, WITHOUT STAY OF EXECUTION, AS OF ANY TERM OR TIME, AND THEREIN TO CONFESS OR ENTER JUDGMENT AGAINST BORROWER FOR THE ENTIRE UNPAID OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE AND ALL OTHER SUMS TO BE PAID BY BORROWER TO OR ON BEHALF OF BANK PURSUANT TO THE TERMS HEREOF OR OF THE LOAN DOCUMENTS AND ALL ARREARAGES OF INTEREST THEREON, TOGETHER WITH ALL COSTS AND OTHER EXPENSES AND AN ATTORNEY'S COLLECTION COMMISSION OF FIFTEEN PERCENT (15%) OF THE

AGGREGATE AMOUNT OF THE FOREGOING SUMS, BUT IN NO EVENT LESS THAN $5,000.00; AND FOR SO DOING THIS NOTE OR A COPY HEREOF VERIFIED BY AFFIDAVIT SHALL BE A SUFFICIENT WARRANT.

THE AUTHORITY GRANTED HEREIN TO CONFESS JUDGMENT SHALL NOT BE EXHAUSTED BY ANY EXERCISE THEREOF BUT SHALL CONTINUE FROM TIME TO TIME AND AT ALL TIMES UNTIL PAYMENT IN FULL OF ALL THE AMOUNTS DUE HEREUNDER. BORROWER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED BY COUNSEL IN CONNECTION WITH THE EXECUTION AND DELIVERY OF THIS NOTE AND THAT IT KNOWINGLY WAIVES ITS RIGHT TO BE HEARD PRIOR TO THE ENTRY OF SUCH JUDGMENT AND UNDERSTANDS THAT, UPON SUCH ENTRY, SUCH JUDGMENT SHALL BECOME A LIEN ON ALL REAL PROPERTY OF BORROWER IN THE COUNTY WHERE SUCH JUDGMENT IS ENTERED.

IN WITNESS WHEREOF, Borrower, intending to be legally bound hereby, has caused this Note to be duly executed the day and year first above written.

CECO FILTERS

By:/s/ Steven I. Taub

Steven I. Taub, President

EXHIBIT 10.39

LOAN AGREEMENT

By and Between

CECO FILTERS, INC.

and

CORESTATES BANK, N.A.

Dated: September 25, 1997

LOAN AGREEMENT

THIS LOAN AGREEMENT (the "Agreement") is made effective the 25th day of September, 1997, by and between CECO FILTERS, INC. ("Borrower") and CORESTATES BANK, N.A. ("Bank").

BACKGROUND

A. Borrower has requested that Bank extend certain credit facilities to Borrower, which Bank is willing to do on the terms set forth herein.

B. Capitalized terms not otherwise defined herein will have the meanings set forth therefor in Section 12 of this Agreement.

NOW, THEREFORE, in consideration of the terms and conditions contained herein, and of any extensions of credit now or hereafter made to or for the benefit of Borrower by Bank, the parties hereto, intending to be legally bound hereby, agree as follows:

1. THE LINE; TERM LOAN; USE OF PROCEEDS.

1.1. Line of Credit. Bank will establish for Borrower subject to the terms and conditions hereof, a revolving demand line of credit (the "Line") pursuant to which Bank will from time to time make loans or other extensions of credit to Borrower in an aggregate amount not exceeding at any time the lesser of: (a) the sum of (i) an amount up to eighty percent (80%) of the Eligible Receivables, plus (ii) the Permitted Out-of-Formula Advance; or (b) One Million Five Hundred Thousand Dollars ($1,500,000.00). Within the limitations set forth above, Borrower may borrow, repay and reborrow under the Line. The Line shall be subject to all terms and conditions set forth in all of the Loan Documents (as hereafter defined) which terms and conditions are incorporated herein. Borrower's obligation to repay the loans and extensions of credit under the Line shall be evidenced by Borrower's demand promissory note (the "Line Note") in the face amount of One Million Five Hundred Thousand Dollars ($1,500,000.00), which shall be in the form attached hereto as Exhibit "A", with the blanks appropriately filled in. The Line Note shall amend and replace, but not repay or satisfy, Borrower's obligations to Bank under a certain Master Demand Note dated July 23, 1997.

1.2. Term Loan. Bank will lend to Borrower and Borrower will borrow from Bank One Million Dollars ($1,000,000.00) (the "Term Loan"). Borrower's obligation to repay the Term Loan Shall be evidenced by Borrower's promissory note in the original principal amount of One Million dollars ($1,000,000.00) (the "Term Note"), substantially in the form attached hereto as Exhibit "B" with the blanks appropriately filled in.

1.3. Use of Proceeds. Borrower agrees to use (a) advances under the Line for proper working capital purposes and to finance the acquisition of certain assets of Busch Environmental Corporation; and (b) the proceeds of the Term Loan to finance the acquisition of certain assets of Busch Environmental Corporation.

1.4. Method of Advances. On any Business Day, Borrower may request an advance under the Line by making such request to the bank officer designated by Bank no later than noon Philadelphia time on the Business Day such advance is requested to be funded, and delivery to Bank of any documentation as Bank may from time to time require. Subject to the terms and conditions of this Agreement, Bank may make the proceeds of an advance available to Borrower by crediting such proceeds to Borrower's deposit account with Bank. Such request may be by telephone, unless Bank has advised Borrower that written requests are required. Bank may require prompt written confirmation of any telephone request and additional back-up documentation, from time to time. Each request for an advance under the Line shall be conclusively presumed to be made by a person authorized by Borrower to do so.

1.5. Letters of Credit. Bank, at its sole discretion, may issue for the account of Borrower merchandise and standby letters of credit in form and content satisfactory to Bank, at its sole discretion, with a term not to exceed the earlier to occur of (a) ninety (90) days (for merchandise letters of credit), or (b) twelve (12) months (for standby letters of credit). Notwithstanding the foregoing, (i) at no time shall the aggregate face amount of all outstanding letters of credit issued under the Line exceed the amount of Five Hundred Thousand Dollars ($500,000.00); and (ii) at no time shall the principal balance of the Line, plus the aggregate face amount of all outstanding letters of credit issued under the Line exceed the amount of the loans and extensions of credit then available to Borrower under the Line pursuant to advances as described under Section 1.1.

Borrower will execute a letter of credit application and letter of credit agreement, and such other documents as may be required by Bank in connection with the issuance of letters of credit hereunder. The outstanding face amount of all letters of credit issued by Bank pursuant hereto will reduce Borrower's ability to borrow under the Line as if such face amount were an advance under the Line. In the event that Bank pays any sums due pursuant to such letters of credit for any reason, such payment shall be deemed to be an advance under the Line repayable by Borrower pursuant to the terms hereof.

In the event that the Line is terminated for any reason or demand is made thereunder, Borrower will deposit with Bank an amount equal to the face amount of all letters of credit then outstanding which have been issued hereunder, plus all fees related thereto or to accrue thereunder. Such funds will be held by Bank as cash collateral to secure Borrower's obligations hereunder.

1.6. Collection of Receivables; Proceeds of Collateral.

(a) Lockbox. Borrower and New Busch Co., Inc. will collect their accounts receivable only in the ordinary course of business. Borrower and New Busch Co., Inc. will notify all of their account debtors to forward all accounts receivable collections owed to Borrower and New Busch Co., Inc. to a lockbox maintained by Bank, and will execute such lockbox agreements as may be required by Bank and will pay to Bank all customary fees in connection with such lockbox arrangement. Immediately upon receipt, Borrower will forward to Bank all other checks, drafts and other monies received by Borrower or New Busch Co., Inc. which are proceeds of the Collateral to the lockbox maintained by Bank.

(b) Operating Account. All accounts receivable collections of Borrower and New Busch Co., Inc. and all checks, drafts and other monies received by Borrower and New Busch Co., Inc. which are proceeds of the Collateral will be deposited in Borrower's and New Busch Co., Inc.'s operating account maintained at Bank (collectively, the "Operating Account").

(c) Collected Funds. The Operating Account will be cleared by Bank daily on mutually agreed upon days as to collected funds, and such collected funds will be applied to the principal balance of and accrued interest on the Line, at the Bank's election. Upon the occurrence of an Event of Default, Bank may apply such collected funds to the Bank Indebtedness in such order as it may elect.

(d) Proceeds of Collateral. Borrower and New Busch Co., Inc. agree that all monies, checks, notes, instruments, drafts or other payments relating to or constituting proceeds of any accounts receivable or other Collateral of Borrower and New Busch Co., Inc. which come into the possession or under the control of Borrower and/or New Busch Co., Inc. or any employees, agents or other persons acting for or in concert with Borrower and/or New Busch Co., Inc., shall be received and held in trust for Bank and such items shall be the sole and exclusive property of Bank. Immediately upon receipt thereof, Borrower, New Busch Co., Inc. and such other persons shall remit the same or cause the same to be remitted, in kind, to Bank. Borrower and New Busch Co., Inc. shall deliver or cause to be delivered to Bank, with appropriate endorsement and assignment to Bank with full recourse to Borrower and New Busch Co., Inc., all instruments, notes and chattel paper constituting an account receivable or proceeds thereof or other Collateral. Bank is hereby authorized to open all mail addressed to Borrower and New Busch Co., Inc. and endorse all checks, drafts or other items for payment on behalf of Borrower and New Busch Co., Inc. Bank is granted a power of attorney by Borrower and New Busch Co., Inc. with full power of substitution to execute on behalf of Borrower and New Busch Co., Inc. and in their names or to endorse their names on any check, draft, instrument, note or other item of payment or to take any other action or sign any document in order to effectuate the foregoing. Such power of attorney being coupled with an interest is irrevocable.

2. INTEREST RATE.

2.1. Interest on the Line. Interest on the unpaid principal balance of the Line will accrue from the date of advance until final payment thereof at a per annum rate which is one-half of one percent (1/2 of 1%) in excess of the Prime Rate in effect from time to time (such interest rate to change immediately upon any change in the Prime Rate).

2.2. Interest on Term Loan. Interest on the unpaid principal balance of the Term Loan will accrue until final payment thereof at the rate per annum which is one-half of one percent (1/2 of 1%) in excess of the Prime Rate in effect from time to time (such interest rate to change immediately upon any change in the Prime Rate).

2.3. Default Interest. Interest will accrue on the principal balance of the Line and the Term Loan after demand or the occurrence of an Event of Default at a rate which is three percent (3%) in excess of the Prime Rate in effect from time to time (the "Default Rate").

2.4. Post Judgment Interest. Any judgment obtained for sums due hereunder or

under the Loan Documents will accrue interest at the applicable default rate set forth above until paid.

2.5. Calculation. Interest will be computed on the basis of a year of 360 days and paid for the actual number of days elapsed.

2.6. Limitation of Interest to Maximum Lawful Rate. In no event will the rate of interest payable hereunder exceed the maximum rate of interest permitted to be charged by applicable law (including the choice of law rules) and any interest paid in excess of the permitted rate will be refunded to Borrower. Such refund will be made by application of the excessive amount of interest paid against any sums outstanding hereunder and will be applied in such order as Bank may determine. If the excessive amount of interest paid exceeds the sums outstanding, the portion exceeding the sums outstanding will be refunded in cash by Bank. Any such crediting or refunding will not cure or waive any default by Borrower. Borrower agrees, however, that in determining whether or not any interest payable hereunder exceeds the highest rate permitted by law, any non-principal payment, including without limitation prepayment fees and late charges, will be deemed to the extent permitted by law to be an expense, fee, premium or penalty rather than interest.

3. PAYMENTS AND FEES.

3.1. Interest Payments on the Line. Borrower will pay interest on the principal balance of the Line on the first day of each calendar month commencing on the first day of the first calendar month following the date of this Agreement.

3.2. Principal Payments on the Line. Borrower will pay the outstanding principal balance of the Line, together with any accrued and unpaid interest thereon, and any other sums due pursuant to the terms hereof, ON DEMAND. If any Out-Of-Formula Advance arises or exists under the Line (other than a Permitted Out-of-Formula Advance) for any reason whatsoever, Borrower will repay such Out-Of-Formula Advance immediately, without demand. THE INCLUSION OF EVENTS OF DEFAULT AND COVENANTS IN THE LOAN DOCUMENTS SHALL NOT IN ANY WAY LIMIT THE DEMAND NATURE OF THE LINE. BORROWER UNDERSTANDS THAT THE BANK MAY MAKE DEMAND FOR PAYMENT AT ANY TIME FOR ANY OR NO REASON, WITHOUT REGARD TO WHETHER AN EVENT OF DEFAULT HAS OCCURRED.

3.3. Principal and Interest Payments on the Term Loan. Borrower will pay the principal of the Term Loan and accrued interest thereon in forty-seven (47) equal and consecutive monthly installments of Twenty Thousand Eight Hundred Thirty-Three Dollars and Thirty-Three Cents ($20,833.33) each, plus interest, on the first day of each calendar month commencing on October 1, 1997 and in one final payment of the remaining principal balance plus all accrued and unpaid interest thereon on September 1, 2001. Notwithstanding the foregoing payment schedule, the proceeds of any stock or equity offering initiated by Borrower during the term of the Term Loan shall be applied against the principal balance of the Term Loan and any then outstanding Permitted Out-of-Formula Advances, together with any accrued interest due thereon, in inverse order of maturity.

3.4. Letter of Credit Fees. Borrower shall pay all fees and charges in connection with the issuance, renewal, negotiation and cancellation of each merchandise and standby letter of credit as may be customarily charged by Bank. Such fees shall be computed on the basis of a year of 360 days.

3.5. Late Charge. In the event that Borrower fails to pay any principal, interest or other fees or expenses payable hereunder for a period of at least fifteen (15) days, in addition to paying such sums, Borrower will pay to Bank a late charge equal to five percent (5%), of such past due payment as compensation for the expenses incident to such past due payment.

3.6. Prepayment of Term Loan. Borrower may prepay all or any part of the principal balance of the Term Loan at any time, without penalty or premium. All prepayments will be applied to the regularly scheduled payments in the inverse order in which they are due.

3.7. Payment Method. Borrower irrevocably authorizes Bank to debit all payments required to be made by Borrower hereunder, under the Line and the Term Loan, on the date due, from any deposit account maintained by Borrower with Bank. Otherwise, Borrower will be obligated to make such payments directly to Bank. All payments are to be made in immediately available funds. If Bank accepts payment in any other form, such payment shall not be deemed to have been made until the funds comprising such payment have actually been received by or made available to Bank.

3.8. Application of Payments. Any and all payments on account of the Line and the Term Loan will be applied to accrued and unpaid interest, outstanding principal and other sums due hereunder or under the Loan Documents, in such order as Bank, in its discretion, elects. If Borrower makes a payment or payments and such payment or payments, or any part thereof, are subsequently invalidated, declared to be fraudulent or preferential, set aside or are required to be repaid to a trustee, receiver, or any other person under any bankruptcy act, state or federal law, common law or equitable cause, then to the extent of such payment or payments, the obligations or part thereof hereunder intended to be satisfied shall be revived and continued in full force and effect as if said payment or payments had not been made.

3.9. Loan Account. Bank will open and maintain on its books a loan account (the "Loan Account") with respect to advances made, repayments, prepayments, the computation and payment of interest and fees and the computation and final payment of all other amounts due and sums paid to Bank under this Agreement. Except in the case of manifest error in computation, the Loan Account will be conclusive and binding on the Borrower as to the amount at any time due to Bank from Borrower under this Agreement or the Notes.

4. SECURITY.

4.1. Collateral. Borrower's obligations hereunder and under the Loan Documents shall be secured by (a) a certain security agreement of even date herewith pursuant to which Borrower, New Busch Co., Inc. and Air Purator Corp. shall grant to Bank a security interest in and lien upon all of Borrower's present and future accounts, contract rights, chattel papers, instruments, documents, inventory, general intangibles, machinery, equipment, furniture, fixtures, books and records and all other tangible and intangible property of Borrower, New Busch Co., Inc. and Air Purator Corp. and the products and proceeds thereof (the "Security Agreement"), and (b) a certain open-end mortgage and security agreement encumbering real property owned by Borrower located at 1029 Conshohocken Road, Conshohocken, Montgomery County, Pennsylvania, subject only to prior liens in favor of the Bank and the Pennsylvania Industrial Development Authority.

4.2. Surety. As further security for the obligations of Borrower hereunder and under the Loan Documents, Borrower shall cause each Guarantor to execute and deliver to Bank an unlimited and unconditional surety agreement in form and content acceptable to Bank (collectively, the "Surety Agreements").

5. CONDITIONS OF CLOSING. The obligations of Bank to make available the Line and the Term Loan are subject to the performance by Borrower of all of its agreements to be performed hereunder and to the following further conditions (any of which may be waived by Bank):

5.1. Loan Documents. Borrower, Guarantors and all other required persons and entities will have executed and delivered to Bank the Loan Documents.

5.2. Representations and Warranties. All representations and warranties of Borrower set forth in the Loan Documents will be true at and as of the date hereof.

5.3. No Default. No condition or event shall exist or have occurred which would constitute an Event of Default hereunder (or would, upon the giving of notice or the passage of time or both, constitute such an Event of Default).

5.4. Proceedings and Documents. All proceedings taken by Borrower in connection with the transactions contemplated by this Agreement and all documents incident to such transactions shall be satisfactory in form and substance to Bank and Bank's counsel, and Bank shall have received all documents or other evidence which it reasonably may request in connection with such proceedings and transactions. Borrower and each Guarantor shall have each delivered to Bank a certificate, in form and substance satisfactory to Bank, dated the date hereof and signed on behalf of the Borrower or the applicable Guarantor, as the case may be, by an officer of Borrower or the applicable Guarantor, as the case may be, certifying (a) true copies of the Articles of Incorporation and bylaws of the Borrower or the applicable Guarantor in effect on such date, (b) true copies of all corporate actions taken by Borrower or the applicable Guarantor relative to the Loan Documents, and (c) the names, true signatures and incumbency of the officers of the Borrower or the applicable Guarantor authorized to execute and deliver this Agreement and the other Loan Documents. Bank may conclusively rely on such certificate unless and until a later certificate revising the prior certificate has been received by Bank.

5.5. Landlord's or Warehouseman's Release and Waiver Agreements. Bank shall have received a landlord's or warehouseman's release and waiver agreement, satisfactory in form and substance to Bank, from each landlord and warehouseman for each location leased by Borrower or at which Borrower warehouses inventory.

5.6. Delivery of Other Documents. The following documents shall have been delivered by or on behalf of Borrower and/or Guarantors to Bank:

(a) Good Standing and Tax Lien Certificates. Good Standing Certificates issued by the State of incorporation of Borrower and of each Guarantor certifying to the good standing and corporate status of Borrower, good standing/foreign qualification certificates from all other jurisdictions in which Borrower and Guarantors are required to be qualified to do business, and tax lien certificates for Borrower and each Guarantor from each jurisdiction in which Borrower and that Guarantor are required to be qualified to do business.

(b) Authorization Documents. Evidence of authorization of Borrower's and Guarantors' execution and full performance of this Agreement, the Loan Documents and all other documents and actions required hereunder.

(c) Insurance. Evidence of the insurance coverage as required under the Security Agreement.

(d) Opinion of Counsel. An opinion of counsel for Borrower in form and content satisfactory to Bank.

(e) Lien Search. Copies of record searches (including UCC searches and judgments, suits, tax and other lien searches) confirming that Bank has a first priority security interest in the Collateral, except as otherwise provided in this Agreement, acceptable to Bank.

(f) No Material Adverse Change. Evidence satisfactory to the Bank that no material adverse change has occurred with respect to the Borrower since December 31, 1996.

(g) Subordination Agreement. A subordination agreement in form and content acceptable to Bank executed by CECO Environmental Corp., together with evidence satisfactory to Bank of the extension and funding of an unsecured loan in the amount of Five Hundred Thousand Dollars ($500,000.00) by CECO Environmental Corp. to Borrower.

(h) Asset Purchase Agreement Copies of the executed Asset Purchase Agreement dated September 9, 1997 by and between New Busch Co. and Busch Co., together with evidence satisfactory to Bank of the consummation of the transactions contemplated therein.

(i) Other Documents. Such other documents as may be required to be submitted to Bank by the terms hereof or of any Loan Document.

5.7. Non-Waiver of Rights. By completing the closing hereunder, or by making advances hereunder, Bank does not thereby waive a breach of any warranty or representation made by Borrower hereunder or any agreement, document, or instrument delivered to Bank or otherwise referred to herein, and any claims and rights of Bank resulting from any breach or misrepresentation by Borrower are specifically reserved by Bank.

6. CERTAIN CONDITIONS TO SUBSEQUENT ADVANCES. Subsequent advances shall be conditioned upon the following conditions and each request by Borrower for an advance shall constitute a representation by Borrower to Bank that each condition has been met or satisfied:

6.1. Representations and Warranties. All representations and warranties of Borrower contained in the Loan Documents shall be true at and as of the date of such advance as if made on such date, and each request for an advance shall constitute reaffirmation by Borrower that such representations and warranties are then true.

6.2. No Default. No condition or event shall exist or have occurred at or as of the date of such advance which would constitute an Event of Default hereunder (or would, upon the giving of notice or the passage of time or both, constitute such an Event of Default).

6.3. Other Requirements. Bank shall have received all certificates, authorizations,

affidavits, schedules and other documents which are provided for hereunder or under the Loan Documents, or which Bank may reasonably request.

7. DEFAULT AND REMEDIES.

7.1. Events of Default. The occurrence of any one or more of the following events shall constitute an Event or Events of Default hereunder:

(a) The failure of Borrower to pay any amount of principal or interest on the Notes or any fee or other sums payable hereunder, or any other Bank Indebtedness on the date on which such payment is due, whether on demand, at the stated maturity or due date thereof, or by reason of any requirement for the prepayment thereof, by acceleration or otherwise;

(b) The failure of Borrower or any Guarantor to duly perform or observe any obligation, covenant or agreement on its part contained herein or in any other Loan Document not otherwise specifically constituting an Event of Default under this Section 7.1 and such failure continues unremedied for a period of thirty (30) days after the earlier of (i) notice from Bank to Borrower or Guarantor of the existence of such failure, or (ii) any officer or principal of Borrower or Guarantor knows or should have known of the existence of such failure, provided that, in the event such failure is incapable of remedy or consists of a default of any of the financial covenants in Section 7 of the Security Agrement, or was wilfully caused or permitted by Borrower or Guarantor, Borrower and Guarantor shall not be entitled to any notice or grace hereunder;

(c) The failure of Borrower or any Guarantor to pay any Indebtedness for borrowed money due to any third Person which results in acceleration or an exercise of remedies thereunder or the existence of any other event of default under any loan, security agreement, mortgage or other agreement pertaining thereto binding Borrower, after the expiration of any notice and/or grace periods permitted in such documents which results in acceleration or an exercise of remedies thereunder;

(d) The failure of Borrower or any Guarantor to pay or perform any other obligation to Bank under any other agreement or note or otherwise arising, whether or not related to this Agreement, after the expiration of any notice and/or grace periods permitted in such documents;

(e) The adjudication of Borrower or any Guarantor as a bankrupt or insolvent, or the entry of an Order for Relief against Borrower or any Guarantor or the entry of an order appointing a receiver or trustee for Borrower or any Guarantor of any of its property or approving a petition seeking reorganization or other similar relief under the bankruptcy or other similar laws of the United States or any state or any other competent jurisdiction;

(f) A proceeding under any bankruptcy, reorganization, arrangement of debt, insolvency, readjustment of debt or receivership law is filed by or (unless dismissed within 60 days) against Borrower or any Guarantor or Borrower or any Guarantor makes an assignment for the benefit of creditors, or Borrower or any Guarantor takes any action to authorize any of the foregoing;

(g) The suspension of the operation of Borrower's present business, or

Borrower becoming unable to meet its debts as they mature, or the admission in writing by Borrower or any Guarantor to such effect, or Borrower or any Guarantor calling any meeting of all or any material portion of its creditors for the purpose of debt restructure;

(h) All or any part of the Collateral or any material part of the assets of Borrower or any Guarantor are attached, seized, subjected to a writ or distress warrant, or levied upon, or come within the possession or control of any receiver, trustee, custodian or assignee for the benefit of creditors;

(i) The entry of a final judgment for the payment of money against Borrower or any Guarantor which, within ten (10) days after such entry, shall not have been discharged or execution thereof stayed pending appeal or shall not have been discharged within five (5) days after the expiration of any such stay;

(j) Any representation or warranty of Borrower or any Guarantor in any of the Loan Documents is discovered to be untrue in any material respect or any statement, certificate or data furnished by Borrower or that Guarantor pursuant hereto is discovered to be untrue in any material respect as of the date as of which the facts therein set forth are stated or certified;

(k) Borrower or any Guarantor voluntarily or involuntarily dissolves or is dissolved, terminates or is terminated;

(l) Borrower is enjoined, restrained, or in any way prevented by the order of any court or any administrative or regulatory agency, the effect of which order restricts Borrower from conducting all or any material part of its business;

(m) A material and adverse change occurs in any of Borrower's operations, management or financial condition or in the value of the Collateral;

(n) Any breach by Borrower or any creditor of its obligations under any subordination agreement now or hereafter executed in favor of Bank after expiration of any notice or grace periods permitted in such documents; or

(o) The validity or enforceability of this Agreement, or any of the Loan Documents, is contested by Borrower or any Guarantor; any stockholder of Borrower or any Guarantor; or Borrower or any Guarantor denies that it has any or any further liability or obligation hereunder or thereunder.

7.2. Remedies. At the option of the Bank, upon the occurrence of an Event of Default, or at any time thereafter:

(a) The entire unpaid principal of the Line, all other Bank Indebtedness, or any part thereof, all interest accrued thereon, all fees due hereunder and all other obligations of Borrower to Bank hereunder or under any other agreement, note or otherwise arising will become immediately due and payable without any further demand or notice;

(b) The Line will immediately terminate and the Borrower will receive no further extensions of credit thereunder;

(c) Bank may increase the interest rate on the Notes to the applicable default rate set forth herein, without notice;

(d) Bank may reduce availability for advances under the formula set forth in Section 1.1 or require additional reserves without notice;

(e) Bank may enter the premises occupied by Borrower and take possession of the Collateral and any records relating thereto; and/or

(f) Bank may exercise each and every right and remedy granted to it under the Loan Documents, under the Uniform Commercial Code and under any other applicable law or at equity.

If an Event of Default occurs under Section 7.1(e) or (f), all Bank Indebtedness shall become immediately due and payable.

7.3. Set-Off. Without limiting the rights of Bank under applicable law, Bank has and may exercise a right of set-off, a lien against and a security interest in all property of Borrower now or at any time in Bank's possession in any capacity whatsoever, including but not limited to any balance of any deposit, trust or agency account, or any other bank account with Bank, as security for all Bank Indebtedness. At any time and from time to time following the occurrence of an Event of Default, Bank may without notice or demand, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by Bank to or for the credit of Borrower against any or all of the Bank Indebtedness and the Borrower's obligations under the Loan Documents. If any bank account of Borrower with Bank is attached or otherwise liened or levied upon by any third party, Bank need not await the running of any applicable grace period hereunder, but Bank shall have and be deemed to have the immediate right of set-off and may apply the funds or amount thus set-off against Borrower's obligations to the Bank.

7.4. Turnover of Property Held by Bank. Borrower irrevocably authorize any Affiliate of Bank, upon and following the occurrence of an Event of Default, at the request of Bank and without further notice, to turnover to Bank any property of Borrower held by such Affiliate, including without limitation, funds and securities for the Borrower's account and to debit, for the benefit of Bank, any deposit account maintained by Borrower with such Affiliate (even if such deposit account is not then due or there results a loss or reduction of interest or the imposition of a penalty in accordance with law applicable to the early withdrawal of time deposits), in the amount requested by Bank up to the amount of the Bank Indebtedness, and to pay or transfer such amount or property to Bank for application to the Bank Indebtedness.

7.5. Delay or Omission Not Waiver. Neither the failure nor any delay on the part of Bank to exercise any right, remedy, power or privilege under the Loan Documents upon the occurrence of any Event of Default or otherwise shall operate as a waiver thereof or impair any such right, remedy, power or privilege. No waiver of any Event of Default shall affect any later Event of Default or shall impair any rights of Bank. No single, partial or full exercise of any rights, remedies, powers and privileges by the Bank shall preclude further or other exercise thereof. No course of dealing between Bank and Borrower shall operate as or be deemed to constitute a waiver of Bank's rights under the Loan Documents or affect the duties or obligations of Borrower.

7.6. Remedies Cumulative; Consents. The rights, remedies, powers and privileges provided for herein shall not be deemed exclusive, but shall be cumulative and shall be in addition to all other rights, remedies, powers and privileges in Bank's favor at law or in equity.

7.7. Certain Fees, Costs, Expenses, Expenditures and Indemnification. Borrower agrees to pay on demand all costs and expenses of Bank, including without limitation:

(a) all costs and expenses in connection with the preparation, review, negotiation, execution, delivery and administration of the Loan Documents, and the other documents to be delivered in connection therewith, or any amendments, extensions and increases to any of the foregoing (including, without limitation, attorney's fees and expenses, and the cost of appraisals and reappraisals of Collateral), and the cost of periodic lien searches and tax clearance certificates, as Bank deems advisable;

(b) all losses, costs and expenses in connection with the enforcement, protection and preservation of the Bank's rights or remedies under the Loan Documents, or any other agreement relating to any Bank Indebtedness, or in connection with legal advice relating to the rights or responsibilities of Bank (including without limitation court costs, attorney's fees and expenses of accountants and appraisers); and

(c) any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of the Loan Documents, and all liabilities to which Bank may become subject as the result of delay in paying or omission to pay such taxes.

In the event Borrower shall fail to pay taxes, insurance, assessments, costs or expenses which it is required to pay hereunder, or fails to keep the Collateral free from security interests or lien (except as expressly permitted herein), or fails to maintain or repair the Collateral as required hereby, or otherwise breaches any obligations under the Loan Documents, Bank in its discretion, may make expenditures for such purposes and the amount so expended (including attorney's fees and expenses, filing fees and other charges) shall be payable by Borrower on demand and shall constitute part of the Bank Indebtedness.

With respect to any amount required to be paid by Borrower under this Section, in the event Borrower fails to pay such amount on demand, Borrower shall also pay to Bank interest thereon at the default rate set forth for the Line.

Borrower agrees to indemnify and hold harmless, Bank and Bank's officers, directors, shareholders, employees and agents, from and against any and all claims, liabilities, losses, damages, costs and expenses (whether or not such Person is a party to any litigation), including attorney's fees and costs and costs of investigation, document production, attendance at depositions or other discovery with respect to or arising out of this Agreement, the use of any proceeds advanced hereunder, the transactions contemplated hereunder, or any claim, demand, action or cause of action being asserted against Borrower or any of its Affiliates.

Borrower's obligations under this Section shall survive termination of this Agreement and repayment of the Bank Indebtedness.

7.8. Time is of the Essence. Time is of the essence in Borrower's performance of its obligations under the Loan Documents.

7.9. Acknowledgment of Confession of Judgment Provisions. BORROWER ACKNOWLEDGES AND AGREES THAT THE NOTES AND THE LOAN DOCUMENTS CONTAIN PROVISIONS WHEREBY BANK MAY ENTER JUDGMENT BY CONFESSION AGAINST BORROWER AFTER DEMAND OR THE OCCURRENCE OF AN EVENT OF DEFAULT, AS THE CASE MAY BE. BEING FULLY AWARE OF ITS RIGHTS TO PRIOR NOTICE AND HEARING ON THE QUESTION OF THE VALIDITY OF ANY CLAIMS THAT MAY BE ASSERTED AGAINST IT BY BANK UNDER THE NOTES AND LOAN DOCUMENTS, BEFORE JUDGMENT CAN BE ENTERED, BORROWER HEREBY WAIVES THESE RIGHTS AND AGREES AND CONSENTS TO BANK ENTERING JUDGMENT AGAINST BORROWER BY CONFESSION. ANY PROVISION IN A CONFESSION OF JUDGMENT IN ANY OF THE LOAN DOCUMENTS FOR AN ATTORNEY'S COLLECTION COMMISSION SHALL IN NO WAY LIMIT BORROWER'S LIABILITY TO REIMBURSE BANK FOR ALL LEGAL FEES ACTUALLY INCURRED BY BANK, EVEN IF SUCH FEES ARE IN EXCESS OF THE ATTORNEY'S COLLECTION COMMISSION PROVIDED FOR IN SUCH CONFESSION OF JUDGMENT.

8. COMMUNICATIONS AND NOTICES.

8.1. Communications and Notices. All notices, requests and other communications made or given in connection with the Loan Documents shall be in writing and, unless receipt is stated herein to be required, shall be deemed to have been validly given if delivered personally to the individual or division or department to whose attention notices to a party are to be addressed, or by private carrier, or registered or certified mail, return receipt requested, or by telecopy with the original forwarded by first-class mail, in all cases, with charges prepaid, addressed as follows, until some other address (or individual or division or department for attention) shall have been designated by notice given by one party to the other:

To Borrower:

CECO Filters, Inc.
1029 Conshohocken Road
Conshohocken, PA 19428
Attention: Steven I. Taub, President
Telecopy Number: (610) 825-3108

With a copy to:

White and Williams
1800 One Liberty Place
Philadelphia, PA 19103
Attention: George Hartnett, Esquire
Telecopy Number: (215) 864-7123

To Bank:

CoreStates Bank, N.A.
2240 Butler Pike
Plymouth Meeting, PA 19462-1302
Attention: William Dohmen, Vice President
Telecopy Number: (610) 834-2069

With a copy to:

Wolf, Block, Schorr and Solis-Cohen LLP
350 Sentry Parkway
Building 640
Blue Bell, Pennsylvania 19422
Attention: Sara Lee Keller-Smith, Esquire
Telecopy Number: (610) 238-0305

9. DEFINITIONS. The following words and phrases as used in capitalized form in this Agreement, whether in the singular or plural, shall have the meanings indicated:

9.1. "Accounting Terms". As used in this Agreement, or any certificate, report or other document made or delivered pursuant to this Agreement, accounting terms not defined elsewhere in this Agreement shall have the respective meanings given to them under GAAP.

9.2. "Affiliate", as to any Person, means each other Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person in question.

9.3. "Agreement" has the meaning set forth in the opening recital of this Agreement.

9.4. "Bank" has the meaning set forth in the opening recital of this Agreement.

9.5. "Bank Indebtedness" shall mean all obligations and Indebtedness of Borrower to Bank, whether now or hereafter owing or existing, including, without limitation, all obligations under the Loan Documents, all obligations to reimburse Bank for payments made by Bank pursuant to any letter of credit issued for the account or benefit of Borrower by Bank, all other obligations or undertakings now or hereafter made by or for the benefit of Borrower to or for the benefit of Bank under any other agreement, promissory note or undertaking now existing or hereafter entered into by Borrower with Bank, including, without limitation, all obligations of Borrower to Bank under any guaranty or surety agreement and all obligations of Borrower to immediately pay to Bank the amount of any overdraft on any deposit account maintained with Bank, together with all interest and other sums payable in connection with any of the foregoing.

9.6. "Borrower" has the meaning set forth in the opening recital of this Agreement.

9.7. "Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in Pennsylvania are authorized by law to close.

9.8. "Corporation" means a corporation, partnership, trust, unincorporated organization, association or joint stock company.

9.9. "Default Rate" has the meaning set forth in Section 2.3.

9.10. "Eligible Receivables" means accounts receivable of Borrower and New Busch Co. in which Bank has a prior, perfected, first priority lien which have been due no more than ninety (90) days from the invoice date, are not subject to offsets, deductions, counterclaims, discounts, credit, charge back, freight claim, allowance or adjustment comply wit the representations set forth in the Security Agreement and meet all specifications established by

Bank in its sole discretion from time to time. Eligible Receivables shall not include: (a) non-trade receivables; (b) foreign accounts receivable unless fully secured by a letter of credit issued by a financial institution acceptable to Bank in its discretion; (c) contra-accounts; (d) intercompany accounts or accounts from other affiliated corporation, organizations or individuals; (e) accounts receivable from the United States government or any of its agencies which have not been assigned to Bank under the Assignment of Claims Act; (f) finance charges; (g) lease receivables; (h) accounts receivable of poor quality; and (i) accounts receivable concentrated in individual account debtors in such amounts or percentage as may be unacceptable to Bank. In the event that any account receivable previously scheduled, listed or referred to in any certificate, statement or report by Borrower and upon which Borrower is basing availability under the Line ceases to be an Eligible Receivable, Borrower shall notify Bank thereof immediately.

9.11. "Event of Default" means each of the events specified in Section 7.1.

9.12. "GAAP" means generally accepted accounting principles in the United States of America, in effect from time to time, consistently applied and maintained.

9.13. "Guarantor" means CECO Environmental Corp., a New York corporation, and New Busch Co., Inc., a Delaware corporation.

9.14. "Indebtedness", as applied to a Person, means:

(a) all items (except items of capital stock or of surplus) which in accordance with GAAP would be included in determining total liabilities as shown on the liability side of a balance sheet of such Person as at the date as of which Indebtedness is to be determined;

(b) to the extent not included in the foregoing, all indebtedness, obligations, and liabilities secured by any mortgage, pledge, lien, conditional sale or other title retention agreement or other security interest to which any property or asset owned or held by such Person is subject, whether or not the indebtedness, obligations or liabilities secured thereby shall have been assumed by such Person; and

(c) to the extent not included in the foregoing, all indebtedness, obligations and liabilities of others which such Person has directly or indirectly guaranteed, endorsed (other than for collection or deposit in the ordinary course of business), sold with recourse, or agreed (contingently or otherwise) to purchase or repurchase or otherwise acquire or in respect of which such Person has agreed to supply or advance funds (whether by way of loan, stock purchase, capital contribution or otherwise) or otherwise to become directly or indirectly liable.

9.15. "Line" has the meaning set forth in Section 1.1.

9.16. "Line Note" has the meaning set forth in Section 1.1.

9.17. "Loan Documents" means this Agreement, the Line Note, the Term Note, the Security Agreement, the Surety Agreements and all other documents, executed or delivered by Borrower and/or the Guarantor pursuant to this Agreement, as they may be amended from time to time.

9.18. "Notes" means the Line Note and the Term Note and "Note" means either the Line Note or the Term Note.

9.19. "Out-Of-Formula Advance" means the amount by which the then outstanding principal balance of the Line exceeds the amount that Bank may advance pursuant to the formula advance provisions of Section 1.1 subject to such other restrictions on advances as are otherwise set forth in this Agreement.

9.20. "Permitted Out-of-Formula Advance" means Out-of-Formula Advances in a principal amount not to exceed at any time Six Hundred Thousand Dollars ($600,000.00), in the aggregate, which amount shall be decreased as of December 31, 1997 and again as of June 30, 1998 based upon the results of Borrower's operations.

9.21. "Person" means an individual, a Corporation or a government or any agency or subdivision thereof, or any other entity.

9.22. "Prime Rate" means the annual interest rate established from time to time by Bank and generally known by Bank as its "prime rate", whether published by it publicly or only for the internal guidance of its loan officers. The Prime Rate is used merely as a pricing index and is not and should not be considered to represent the lowest or best rate available to a borrower.

9.23. "Subsidiary" means a Corporation (a) which is organized under the laws of the United States or any State thereof, or any other county or jurisdiction of Canada or Puerto Rico, (b) which conducts substantially all of its business and has substantially all of its assets within the United States, Canada or Puerto Rico, and (c) of which more than fifty percent (50%) of its outstanding voting stock of every class (or other voting equity interest) is owned by Borrower or one or more of its Subsidiaries.

9.24. "Security Agreement" has the meaning set forth in Section 4.1.

9.25. "Surety" has the meaning set forth in Section 4.2.

9.26. "Term Note" has the meaning set forth in Section 1.2.

10. WAIVERS.

10.1. Waivers. In connection with any proceedings under the Loan Documents, including without limitation any action by Bank in replevin, foreclosure or other court process or in connection with any other action related to the Loan Documents or the transactions contemplated hereunder, Borrower waives:

(a) all errors, defects and imperfections in such proceedings;

(b) all benefits under any present or future laws exempting any property, real or personal, or any part of any proceeds thereof from attachment, levy or sale under execution, or providing for any stay of execution to be issued on any judgment recovered under any of the Loan Documents or in any replevin or foreclosure proceeding, or otherwise providing for any valuation, appraisal or exemption;

(c) all rights to inquisition on any real estate, which real estate may be

levied upon pursuant to a judgment obtained under any of the Loan Documents and sold upon any writ of execution issued thereon in whole or in part, in any order desired by Bank;

(d) presentment for payment, demand, notice of demand, notice of non-payment, protest and notice of protest of any of the Loan Documents, including the Notes;

(e) any requirement for bonds, security or sureties required by statute, court rule or otherwise;

(f) any demand for possession of Collateral prior to commencement of any suit; and

(g) all rights to claim or recover attorney's fees and costs in the event that Borrower is successful in any action to remove, suspend or enforce a judgment entered by confession.

10.2. Forbearance. Bank may release, compromise, forbear with respect to, waive, suspend, extend or renew any of the terms of the Loan Documents, without notice to Borrower.

10.3. Limitation on Liability. Borrower shall be responsible for and Bank is hereby released from any claim or liability in connection with:

(a) Safekeeping any Collateral;

(b) Any loss or damage to any Collateral;

(c) Any diminution in value of the Collateral; or

(d) Any act or default of another Person.

Bank shall only be liable for any act or omission on its part constituting gross negligence or wilful misconduct. In the event that Bank breaches its required standard of conduct, Borrower agrees that its liability shall be only for direct damages suffered and shall not extend to consequential or incidental damages. In the event Borrower brings suit against Bank in connection with the transactions contemplated hereunder and Bank is found not to be liable, Borrower will indemnify and hold Bank harmless from all costs and expenses, including attorney's fees, incurred by Bank in connection with such suit. This Agreement is not intended to obligate Bank to take any action with respect to the Collateral or to incur expenses or perform any obligation or duty of Borrower.

11. SUBMISSION TO JURISDICTION.

11.1. Submission to Jurisdiction. Borrower hereby consents to the exclusive jurisdiction of any state or federal court located within the Commonwealth of Pennsylvania, and irrevocably agrees that, subject to the Bank's election, all actions or proceedings relating to the Loan Documents or the transactions contemplated hereunder shall be litigated in such courts, and Borrower waives any objection which it may have based on lack of personal jurisdiction, improper venue or forum non conveniens to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and consents that all such service of

process be made by mail or messenger directed to it at the address set forth in Section 8.1. Nothing contained in this Section shall affect the right of Bank to serve legal process in any other manner permitted by law or affect the right of Bank to bring any action or proceeding against Borrower or its property in the courts of any other jurisdiction.

12. MISCELLANEOUS.

12.1. Brokers. The transaction contemplated hereunder was brought about and entered into by Bank and Borrower acting as principals and without any brokers, agents or finders being the effective procuring cause hereof. Borrower represents to Bank that Borrower has not committed Bank to the payment of any brokerage fee or commission in connection with this transaction. If any such claim is made against Bank by any broker, finder or agent or any other Person, Borrower agrees to indemnify, defend and hold Bank harmless against any such claim, at Borrower's own cost and expense, including Bank's attorneys' fees. Borrower further agrees that until any such claim or demand is adjudicated in Bank's favor, the amount claimed and/or demanded shall be deemed part of the Bank Indebtedness secured by the Collateral.

12.2. Use of Bank's Name. Borrower shall not use Bank's name or the name of any of Bank's Affiliates in connection with any of its business or activities except as may otherwise be required by the rules and regulations of the Securities and Exchange Commission or any like regulatory body and except as may be required in its dealings with any governmental agency.

12.3. No Joint Venture. Nothing contained herein is intended to permit or authorize Borrower to make any contract on behalf of Bank, nor shall this Agreement be construed as creating a partnership, joint venture or making Bank an investor in Borrower.

12.4. Survival. All covenants, agreements, representations and warranties made by Borrower in the Loan Documents or made by or on its behalf in connection with the transactions contemplated here shall be true at all times this Agreement is in effect and shall survive the execution and delivery of the Loan Documents, any investigation at any time made by Bank or on its behalf and the making by Bank of the loans or advances to Borrower. All statements contained in any certificate, statement or other document delivered by or on behalf of Borrower pursuant hereto or in connection with the transactions contemplated hereunder shall be deemed representations and warranties by Borrower.

12.5. No Assignment by Borrower. Borrower may not assign any of its rights hereunder without the prior written consent of Bank, and Bank shall not be required to lend hereunder except to Borrower as it presently exists.

12.6. Assignment or Sale by Bank. Bank may sell, assign or participate all or a portion of its interest in the Loan Documents and in connection therewith may make available to any prospective purchaser, assignee or participant any information relative to Borrower in its possession.

12.7. Binding Effect. This Agreement and all rights and powers granted hereby will bind and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

12.8. Severability. The provisions of this Agreement and all other Loan Documents are deemed to be severable, and the invalidity or unenforceability of any provision shall not

affect or impair the remaining provisions which shall continue in full force and effect.

12.9. No Third Party Beneficiaries. The rights and benefits of this Agreement and the Loan Documents shall not inure to the benefit of any third party.

12.10. Modifications. No modification of this Agreement or any of the Loan Documents shall be binding or enforceable unless in writing and signed by or on behalf of the party against whom enforcement is sought.

12.11. Holidays. If the day provided herein for the payment of any amount or the taking of any action falls on a Saturday, Sunday or public holiday at the place for payment or action, then the due date for such payment or action will be the next succeeding Business Day.

12.12. Law Governing. This Agreement has been made, executed and delivered in the Commonwealth of Pennsylvania and will be construed in accordance with and governed by the laws of such Commonwealth.

12.13. Integration. The Loan Documents shall be construed as integrated and complementary of each other, and as augmenting and not restricting Bank's rights, powers, remedies and security. The Loan Documents contain the entire understanding of the parties thereto with respect to the matters contained therein and supersede all prior agreements and understandings between the parties with respect to the subject matter thereof and do not require parol or extrinsic evidence in order to reflect the intent of the parties.

12.14. Exhibits and Schedules. All exhibits and schedules attached hereto are hereby made a part of this Agreement.

12.15. Headings. The headings of the Articles, Sections, paragraphs and clauses of this Agreement are inserted for convenience only and shall not be deemed to constitute a part of this Agreement.

12.16. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Agreement by signing any such counterpart.

12.17. Waiver of Right to Trial by Jury. BORROWER AND BANK WAIVE ANY RIGHT TO TRIAL BY JURY ON ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER ANY OF THE LOAN DOCUMENTS OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF BORROWER OR BANK WITH RESPECT TO ANY OF THE LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE. BORROWER AND BANK AGREE AND CONSENT THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF BORROWER AND BANK TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY. BORROWER ACKNOWLEDGES THAT IT HAS HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL REGARDING THIS SECTION, THAT IT FULLY UNDERSTANDS ITS TERMS, CONTENT AND EFFECT, AND THAT IT VOLUNTARILY AND KNOWINGLY AGREES TO THE TERMS OF THIS SECTION.

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

CECO FILTERS, INC.

By:/s/ Steven I. Taub

Steven I. Taub, President

CORESTATES BANK, N.A.

By:/s/ William F. Dohmen

William F. Dohmen, Vice President

EXHIBIT 10.40

THIS LEASE AGREEMENT (hereinafter, the "Lease"), made and dated this 10th day of January, 1980, by and between Richard A. Roos, an individual, residing at 9596 Park Edge Drive, Allison Par, Pennsylvania 15101 (hereinafter called the "Lessor"), and BUSCH CO., a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal office at 4907 Penn Avenue, Pittsburgh, Pennsylvania 15224 (hereinafter called the "Leasee).

W I T N E S S E T H:

Article 1. DEMISE.

Lessor, in consideration of the rents to be paid and the covenants and agreements herein to be performed by the Lessee, does hereby let and demise unto the Lessee and the Lessee does hereby hire and take from the Lessor, upon the terms and conditions hereinafter set forth all of that certain tract or parcel of land located in Shaler Township, Allegheny County, Pennsylvania, being more particularly described in Exhibit "A" attached hereto, made a part hereof and incorporated herein by reference (such tract or parcel of land being hereafter called the "Land"), together with all buildings, structures, roads, improvements and appurtenances now or hereafter erected thereon (such buildings, structures, roads, improvements and appurtenances being hereinafter, collectively, called the "Improvements" and the Land and the Improvements, being hereinafter, collectively, called the "Demised Premises"). The Lessee, in consideration of the Lessor's letting of the Demised Premises to the Lessee, hereby agrees to pay the rent and other charges set forth in this Lease and agrees to be bound by all of the terms and conditions hereof.

ARTICLE 2. TERM AND RENT.

The term of this Lease shall commence on the Occupancy Date (as hereinafter defined), and shall expire at 12:01 A.M. on the day which is the eleventh (11th) anniversary of the Occupancy Date, such eleventh (11th) anniversary being hereinafter called the "Expiration Date". Within thirty (30) days following the Occupancy Date, Lessor and Lessee will execute and deliver to each other duplicate counterparts of an agreement, in recordable form, setting forth the Occupancy Date and Expiration Date.

The Lessee will have the right, at its option, to renew and extend this Lease for a term of five (5) years beginning on the Expiration Date and ending at 12:01 A.M. on

the day which is the fifth (5th) anniversary of the Expiration Date. The Lessee may exercise it renewal option by giving written notice to Lessor of its intention to do so at least twenty-four months prior to the Expiration Date of the initial term of the Lease. If the Lessee exercises its renewal right, all of the terms and conditions of this Lease will continue in effect during the period of renewal.

During the initial term of this Lease, Lessee shall pay to Lessor, as net basic rental for the Demised Premises, the following annual amounts (being hereinafter referred to as "Annual Net Basic Rental"):

Year of Initial Term	Annual Net Basic Rental
1st Year	$ 62,400.00
2nd Year	67,080.00
3rd Year	72,111.00
4th Year	77,519.00
5th Year	83,333.00
6th Year	89,583.00
7th Year	96,302.00
8th year	103,524.00
9th Year	111,289.00
10th Year	119,636.00
11th Year	128,609.00

If the lessee exercises its renewal option under this Article 6, the Annual New Basic Rental payments during the renewal period shall be the following amounts:

Year of Renewal Period	Annual Net Basic Rental
1st Year	$138,254.00
2nd year	148,623.00
3rd Year	159,770.00
4th Year	171,753.00
5th Year	184,634.00

It is the intention and agreement of the Lessor and the Lessee that such Annual Net Basic Rental shall be paid by the Lessee to the Lessor absolutely net, without any deduction or set-off of any kind or nature whatsoever. Such Annual Net Basic Rental shall be payable in monthly

installments, each of which installments shall be in an amount equal to one-twelfth (1/12) of the applicable Annual Net Basic Rental, and shall be paid in advance on or before the first (1st) business day of each month during the term of this Lease, without demand, to the Lessor at 9596 Park Edge Road, Allison Park, Pennsylvania 15101, or at such other place as the Lessor may designate in writing from time to time.

In the event that the Occupancy Date is a day other than the first business day of a calendar month, then the Lessee shall pay to the Lessor, on or before the Occupancy Date, a pro-rata portion of the applicable monthly installment of Annual Net Basic Rental, as above provided, such pro-rata portion to be based on the number of days remaining in such partial month following the Occupancy Date.

ARTICLE 3. CONSTRUCTION OF IMPROVEMENTS: OCCUPANCY DATE.

Lessor covenants and agrees that, before the occupancy date, Lessor shall, at its sole cost and expense, complete, or cause the completion of, improvements to the building located on the Land after (such building, as improved, shall hereinafter be referred to as the "Building"), the parking facilities, and make all other improvements described in certain plans and specifications prepared by Kenneth H. Roos, Architect, listed in Exhibit "B" hereto (hereinafter the "Plans and Specifications").

The Occupancy Date shall mean the earlier of:

(i) The date on which the Architect certifies to Lessee that the improvements described in the Plans and Specifications have been completed in accordance with the Plans and Specifications and that all utility services contemplated in the Plans and Specifications have been installed and are available for the Lessee's use in the Building and elsewhere at the Demised Premises. Lessor agrees that it will exercise its best effort to cause its Architect to inspect the Improvements in a reasonable and timely manner, that it will cooperate with the Lessee in every reasonable way in order to secure utility services to the Building and the Demised Premises).

(ii) The date upon which the appropriate governmental authority issues an occupancy permit for the Demised Premises.

Lessor hereby covenants that, as of the Occupancy Date and thereafter, there shall be no liens against the Demised Premises arising out of or in any way connected with the improvement of the premises in accordance with the Plans and Specifications.

ARTICLE 4. ALTERATIONS AND TRADE FIXTURES.

Lessee shall have the right to make alterations, improvements or additions to the improvements; provided, however, that Lessee shall first obtain Lessor's prior written approval of the applicable plans and specifications for any alterations, improvements or additions (a) costing

in excess of $5000.00, in the aggregate and not separately, or (b) affecting the structural or load-bearing members of the Building, or (c) affecting the exterior of the Building, or (d) affecting the roads, parking areas or other exterior structures on the Demised Premises. Lessor shall not unreasonably withhold its approval of any alterations, improvements or additions requested by Lessee and Lessor shall respond to Lessee's written request for such approval within fifteen (15) days following receipt thereof by Lessor.

During the term of the Lease, Lessee shall have the right but, except as stated in the succeeding sentence, not the obligation to remove (a) any of said alterations, improvements or additions made to the Demised Premises by Lessee at Lessee's cost, and (b) any trade fixtures, furniture and equipment installed by Lessee; provided, however, that Lessee shall, at its sole cost and expense, repair any damage caused to the Demised Premises by such removal. By notice to Lessee in writing given not more than six (6) months and not less than two (2) months prior to the Expiration Date, Lessor may request that Lessee remove from the Demised Premises (I) any of said alterations, improvements or additions made to the Demised Premises by Lessee and (ii) any of the trade fixtures, furniture and equipment installed by Lessee; and, if Lessor makes such request, Lessee shall remove, on or before the Expiration Date, such of Lessee's alterations, improvements, additions, trade fixtures, furniture and equipment as are stated in such request and repair any damage caused to the Demised Premises by said removal. Subject to the foregoing provisions of this

Article 4, in the event that Lessor requests removal of certain property from the Demised Premises and Lessee fails to remove the same and repair any damage caused thereby on or before the Expiration Date (in each case as specifically required by the immediately preceding sentence), then Lessee agrees to reimburse and pay Lessor for the actual cost of removing the same and repairing any damage to the Demised Premises caused by said removal. All of the alterations. improvements, additions, trade fixtures, furniture and equipment remaining on the Demised Premises after said Expiration Date shall become the property of Lessor. Prior to the commencement by Lessee of construction of any alterations, improvements or additions at or upon the Demised Premises, Lessee shall furnish to Lessor satisfactory evidence of: (a) the procurement of any necessary permits and authorizations (required by statutes, ordinances, building code requirements, restrictive covenants, or otherwise) from the appropriate governmental authorities having jurisdiction over the Demised Premises, (b) the filing of a satisfactory waiver against mechanics' liens, and (c) Workmen's Compensation Insurance, public liability insurance and property damage insurance in amounts, form and content, and with insurance companies, in each case reasonably satisfactory to Lessor.

ARTICLE 5. USE AND COVENANTS OF LESSEE.

The Lessee shall use the Demised Premises for office purposes and for parking and other purposes related

to Lessee's business, as lawfully permitted by any certificate of occupancy issued with respect to the Demised Premises and the laws and ordinances of the Commonwealth of Pennsylvania, Allegheny County and Shaler Township, and for no other purpose.

ARTICLE 5.1. ADDITIONAL COVENANTS.

Lessee covenants and agrees that:

(a) It will not install, use or operate any machinery or equipment that is harmful to the Demised Premises;

(b) It will not place any weights in any por- tion of the building beyond its safe carrying capacity; and

(c) It will comply fully with, and will not knowingly do, or suffer to be done, any act, matter or thing in violation of (I) the applicable certificate of occupancy, (ii) the laws, statutes, ordinances, regulations, orders and requirements of all federal, state, county, township or other governmental authorities having jurisdiction over the Demised Premises and the appropriate departments, commissions, boards and officers thereof, (iii) the orders, rules and regulations of the Board of Fire Underwriters or any other body hereafter constituted exercising similar functions, and (iv) the provisions of the fire or any other insurance policies now or hereafter in effect in connection with the Demised Premises.

ARTICLE 6. INSPECTION AND WORK BY LESSOR.

Lessor shall have the right at all times, upon the giving of twenty-four (24) hours prior notice to Lessee (except for an emergency, in which event such prior notice to Lessee shall not be required), by its duly authorized employees and agents, at Lessor's own sole cost and expense, to go upon and inspect the Demised Premises during Lessee's usual business hours (except in the case of an emergency, in which event such entry and inspection may be made at any time); and at such time and under such circumstances, the Lessor may make any necessary repairs to the Demised Premises and may perform any work therein that may be necessary to comply with any applicable laws, statutes, ordinances, regulations, orders and requirements of all federal, state, county, township or other governmental authorities having jurisdiction over the Demised Premises and the appropriate departments, commissions, boards and officers thereof, and the orders, rules and regulations of the Board of Fire Underwriters or any other body hereafter constitute exercising similar functions, or that the Lessor may deem reasonably necessary to prevent waste or deterioration on the Demised Premises. Nothing herein shall imply any duty upon the part of the Lessor to do any such work that under any provisions of this Lease the Lessee is required to perform, and the performance thereof by the Lessor shall not constitute a waiver of the Lessee's default in failing to perform the same. The Lessor may, during the progress of any work in the Demised Premises, keep and store upon the

Demised Premises, in areas mutually convenient to Lessor and Lessee, all necessary materials, tools and equipment required for said work. Lessee shall fully reimburse Lessor for the cost of any work performed by Lessor pursuant to this Article 6 which amount shall be deemed to be additional rent; provided, however, that Lessor shall be responsible for and pay the cost of any work performed in order to fulfill Lessor's obligations under this Lease.

ARTICLE 7. INSPECTION BY PROSPECTIVE PURCHASERS AND TENANTS.

The Lessor shall have the right, upon the giving of forty-eight (48) hours prior notice to Lessee, to enter the Demised Premises during the Lessee's usual business hours (a) to exhibit the same to prospective purchasers at any time during the Lease term and (b) to exhibit the same to prospective tenants within six (6) months prior to the Expiration Date. A representative of Lessor shall always accompany any prospective purchaser or tenant on any of the aforesaid inspections. Lessor shall also have the right, at any time during the Lease term or any renewal thereof, to display the usual "For Sale" signs on the Demised Premises and also the right, within six (6) months prior to the Expiration Date, to display the usual "For Rent" signs; provided, however, that any such "For Sale" or "For Rent" sign shall be displayed in such a manner so as not to unreasonably interfere with the Lessee's business, and Lessee agrees that Lessee shall not disturb any such signs placed upon the Demised Premises.

ARTICLE 8. SIGNS.

Lessee shall not install, maintain or display upon

the Demised Premises any exterior signs without the prior written approval of Lessor, which approval shall not be unreasonably withheld. Lessor agrees to make a determination of whether to grant or withhold such approval and to inform Lessee of same in writing within thirty (30) days of any such request by Lessee. Lessor hereby grants its approval of all signs, logos and insignia which are shown on the Plans and Specifications.

ARTICLE 9. INDEMNIFICATION.

During the Term of this Lease, Lessee agrees to indemnify and save Lessor harmless against and form any and all claims by or on behalf of any person(s), firm(s), corporation(s) or any other entity arising from anything whatsoever done in or about the Demised Premises; and Lessee will further indemnify and save Lessor harmless against and from any and all claims arising from the conditions of the Demised Premises, or arising from any breach or default on the part of the Lessee in the performance of any covenant or agreement on the part of the Lessee to be performed pursuant to the terms and conditions of this Lease, or arising from any willful or negligent act or omission of the Lessee or any of its agents, servants or employees, or arising from any accident, injury or damage whatsoever caused to any person(s), firm(s), corporation(s) or any other entity occurring in or about the Demised Premises; and Lessee will further indemnify and save Lessor harmless against and from all costs, counsel fees, expenses and liabilities reasonably

incurred in connection with any such claim or action or proceeding brought thereon; and, in case any action or proceeding be brought against the Lessor by reason of any such claim, the Lessee covenants to resist or defend such action or proceeding by counsel, reasonably satisfactory to the Lessor; provided, however, that Lessee's obligation to indemnify Lessor hereunder shall not extend to any matters or occurrences (or their consequences) arising from or associated with any negligent or willful act or omission of Lessor or his agents, servants or employees.

ARTICLE 10. RELEASE OF LIABILITY.

Lessee agrees to release and indemnify and hereby releases the Lessor, and his agents, servants and employees, from all liability in connection with any and all damage to or loss of property, or loss or interruption of business, or costs and expenses (including, but not limited to attorneys' fees) occurring to Lessee, its agents, servants, employees, invitees, licensees, visitors, or any other person, firm, corporation or entity, caused by an fire, breakage or leakage in any part or portion of the Demised Premises, or from water, rain or snow that may leak into, issue or flow from any part of the said Demised Premises, or from the drains, pipes or plumbing work of the same, or from any place or quarter, unless such loss, interruption, breakage, leakage, injury or damage be caused by or result from negligent or willful acts or omissions of the Lessor or his agents, servants and employees.

ARTICLE 11. FIRE AND OTHER CASUALTY DAMAGE.

Lessee agrees to give prompt notice to Lessor of any damage or destruction of and to the Demised Premises by fire or other casualty.

In the event at least fifty percent (50%) or more of the Improvements on the Demised Premises are damaged or destroyed by fire or other casualty, and (ii) such damage or destruction occurs on or after the tenth (10th) anniversary of the Occupancy Date (unless Lessee has exercised its renewal option under Article 2 of this Lease, in which event such destruction or damage must have occurred after the fourteenth (14th) anniversary of the Occupancy Date), Lessor or Lessee shall have the right to cancel and terminate this Lease by giving written notice of such election to the other party within thirty (30) days following the date of said damage or destruction, which notice shall set forth a date of termination not less than thirty (30) days subsequent to the date of the notice of termination.

In the event that this Lease is terminated as aforesaid, the rent shall abate for the balance of the term, and Lessor shall be entitled to the insurance proceeds for said damage or destruction and Lessee shall immediately pay to Lessor the full amount of any policy deductible. If, however, (1) no lection to terminate as aforesaid is made and this Lease remains in full force and effect, or (b) the damage is of a lesser nature, Lessor shall restore the Demised Premises with due diligence, except for delays

caused by (I) Lessor's inability to obtain materials, (ii) Acts of God, as said term is legally defined and construed, (iii) strikes, slow downs fire or weather, (iv) act of governmental authority, or (v) any other cause beyond the control of Lessor, to substantially the condition existing before such damage or destruction, with Lessor reserving the right to enter upon the Demised Premises for such purpose. In such event, the Annual Net Basic Rental shall be equitably reduced, apportioned or suspended during the period of time required for the repair or restoration of the Demised Premises, taking into account the proportion and character (the Building, Improvements, Parking Area, etc.) of the Demised Premises rendered untenantable by the damage or destruction; provided, however, that Lessee's performance of all other covenants and agreements by the Lessee herein to be performed shall not be affected by any such damage or destruction to the Building on the Demised Premises. Notwithstanding anything in this Agreement to the contrary, Lessor shall have no obligation to restore and rebuild if: (I) the Improvements are substantially or totally damaged or destroyed by a cause or event which is outside the scope of coverage of Lessee's all risks insurance policy; or (ii) Mellon Bank, N.A. and/or the Allegheny County Industrial Development Authority shall cause insurance proceeds to be used to reduce the balance of any outstanding loans given by

Mellon Bank, N.A. in connection with the Demised Premises rather than to restore or rebuild.

All insurance proceeds received due to the damage or destruction of and to the Demised Premises shall be immediately deposited with the Lessor Or Mellon Bank, N.A. "in trust" and so as not to be subject to the claims of any creditor of Lessor. Lessor shall first use such funds for the repair and reconstruction of the Building and any other damaged potion of the Demised Premises to the extent required by this Article. In addition, prior to the commencement of any restoration, rebuilding or repair work, the total estimated cost of such work, as determined by Lessor, up to the full amount of any insurance deductible, shall be deposited by Lessee with Lessor.

ARTICLE 12. EMINENT DOMAIN.

If, during the term of this Lease or any renewal thereof, all or any part of the Demised Premises shall be taken as a result of the exercise of the power of eminent domain Lessee shall have the right to claim and prove in such proceeding and to receive any award which may be made, if any, specifically for damages or condemnation of the Lessee's movable trade fixtures, equipment and relocation expenses and the Lessor shall be entitled to the balance of any award in any such proceeding.

If the entire Demised Premises shall be taken under such eminent domain proceeding, this Lease and all the right, title and interest of the Lessee hereunder shall

cease and come to an end on the date when possession is taken pursuant to such proceeding, and the Lessee's obligations to pay annual Net Basic Rental and other amounts under this Lease shall abate as of said date.

On a partial taking of the Demised Premises, (a) either Lessor or Lessee shall have the option to terminate this Lease if (I) at least twenty percent (20%) of the usable floor area of the Building or (ii) at least fifty percent (50%) of the parking spaces on the Demised Premises shall be taken in any such proceeding; and (b) Lessee shall have the option to terminate this Lease without regard to the potion of the Demised Premises taken in any eminent domain proceeding) if Lessee provides conclusive evidence that such taking of the Demised Premises renders the balance of the Demised Premises impractical for Lessee's business purposes. The Lessor or the Lessee may exercise the aforesaid option or options to terminate this Lease in its entirety as aforesaid by giving written notice to the other within sixty (60) days after the date of the vesting of title in such proceeding, specifying a date not more than thirty (30) days after the giving of such notice as the date for such terminations; provided, however, if Lessor is able to provide, for the use of Lessee, its employees and guests, equivalent parking area or areas within three hundred (300) feet of any front, side or rear line of the Building or other Improvements, then Lessee's

aforesaid right to terminate this Lease due to the taking of fifty percent (50%) of the parking spaces shall thereby end and any notice of termination given by Lessee to Lessor (due to the taking of said parking spaces) prior thereto shall be void and of no further force and effect.

In the event that this Lease is not terminated after the eminent domain proceeding under the aforesaid provisions, (a) Lessor shall promptly commence to repair or restore the Demised Premises to tenantable condition for Lessee's uses and complete same with due diligence except for delays caused by (I) Lessor's inability to obtain materials, (ii) Acts of God, as said term is legally defined and construed, (iii) strikes, fire or weather, (iv) act of government authority, or (v) any other cause beyond the control of Lessor, and (b) the Annual Net Basic Rental and, correspondingly, the monthly installments thereof, shall be equitably reduced from and after the date possession is taken by the condemnor for the balance of the term by taking into account the character and the amount of the taking.

ARTICLE 13. INTERRUPTION OF USE.

Except to the extent caused by any negligent or willful act or omission of Lessor or any employee or agent of Lessor, Lessor shall not be liable for any damages, compensation or claims of Lessee by reason of (a)

inconvenience, annoyance, loss of business or interruption in the use of said Demised Premises to or by Lessee arising from the necessity of repairing or restoring the Improvements on the Demised Premises at any time during the term of this Lease or any renewal thereof, whether caused by fire or any other cause, or (b) the termination of this Lease pursuant to any of the provisions hereof; provided, however, that Lessor shall use its best efforts to minimize any such inconvenience, annoyance, loss of business or interruption of use.

ARTICLE 14. REPAIRS.

The Lessee covenants throughout the term of this Lease at the Lessee's sole cost and expense, to take good care of the Demised Premises, including the equipment, fixtures and machinery thereof, and to keep the same in good order, maintenance, repair and condition; and Lessee agrees to promptly, at Lessee's sole cost and expense, make all necessary repairs, interior and exterior, ordinary as well as extraordinary, and foreseen as well as unforeseen, to the Demised Premises except to the extent that any such repairs are necessitated because of negligent or willful acts or omissions of Lessor or any of his employees or agents; provided, however, that Lessor shall be responsible for making any repairs to the extent that the same are necessitated because of negligent or willful acts or omissions of Lessor or any of his employees or agents. The term

"repair(s)" shall include replacement or renewals when necessary, and all such repairs shall be equal in quality and class to the original work. At the termination of this Lease, Lessee shall surrender the Demised Premises in the same condition as when received, except for reasonable use and natural wear.

All work done in connection with any maintenance, repairs or alterations shall be done in a good and workmanlike manner, in compliance with the applicable building and zoning laws of Shaler Township and with all applicable laws, statutes, ordinances, regulations, orders and requirements of all federal, state, county, township, or other governmental authorities having jurisdiction over the Demised Premises and the appropriate departments, commissions, boards and officers thereof, and in compliance with the orders, rules and regulations of the Board of Fire Underwriters or any other body hereafter constituted exercising similar functions.

If either party fails or neglects to proceed with due diligence to commence and complete the repairs, renewals or replacements in accordance with its obligations hereunder (such party being hereinafter referred to as the "defaulting party"), the other party, upon the lapse of thirty (30) days after the mailing of written notice to the defaulting party

(except (a) where such repairs, renewals or replacements by their nature may take a longer reasonable specific period of time as agreed to by the other party in said written notice, and (b) in the event of an emergency, in which event no such written notice shall be required to Lessee) , may enter upon the Demised Premises and cause such repairs, renewals or replacements to be made and charge the cost thereof to the defaulting party. If the Lessee shall be the defaulting party, such cost shall be deemed to be additional rent. If the Lessor shall be the defaulting party, Lessor shall, within ten (10) days after written demand by Lessee , remit such cost to Lessee; in no event , however , shall Lessee have the right to offset such cost against rent payments.

ARTICLE 15. UTILITIES.

The Lessee agrees to pay or cause to be paid all charges for gas, electricity, light, heat or power, water and sewer rental and charges, telephone or other communication services, and all other utilities servicing and consumed on the Demised Premises throughout the term of this Lease and to indemnify and save Lessor harmless against any liability or damages on such account (except that Lessor shall reimburse Lessee for the cost on any utility services consumed by Lessor or his employees and agents). The aforesaid utility services shall be separately metered for the Demised Premises. From and after the Occupancy Date,

the Lessee shall at its sole cost and expense procure any and all necessary additional permits, licenses or other authorizations required for the lawful and proper installation and maintenance upon the Demised Premises of wires, pipes, conduits, tubes and other equipment and appliances for use in supplying any services to and upon the Demised Premises which may be required subsequent to the Occupancy Date, and Lessor shall comply with reasonable request by Lessee for Lessor's cooperation or assistance in connection therewith.

ARTICLE 16. TAXES AND ASSESSMENTS.

The Lessee covenants and agrees to pay, before any fine, penalty, interest or cost may be added thereto for the nonpayment thereof, all real estate taxes (including, for so long as the Demised Premises are owned by the Allegheny County IDA, an amount equal to the ad valorem taxes which would be due if the Demised Premises were not owned by the IDA), assessments with respect to the real property comprising the Demised Premises, water and sewer rates and charges, fire hydrant tax, street lighting tax and other governmental charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever, including but not limited to assessments for public improvements or benefits which shall during

the term hereby demised be laid, assessed, levied or imposed upon or become due and payable upon the Land and the Improvements of the Demised Premises (all of which real estate taxes, assessments with respect to the real property comprising the Demised Premises, water and sewer rates and charges, fire hydrant tax, street lighting tax and other governmental charges are hereinafter, collectively, referred to as "Impositions") ; provided, however, that, if by law any such Imposition is payable or may at the option of the taxpayer be paid in installments (whether or not interest shall accrue on the unpaid balance of such Imposition), Lessee may pay the same, together with any accrued interest on the unpaid balance of such Imposition, in installments as the same respectively become due and payable and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest. Both Lessor and/or Lessee shall have the right, jointly and severally, to protest to the appropriate governmental taxing authority involved, in the lawfully prescribed manner, any such Imposition and any additional Imposition which may be levied for imposed on the Demised Premises during the term of this Lease.

Lessor hereby names, constitutes and appoints Lessee as Lessor's attorney-in-fact to take, in the name, place and stead of Lessor, any and all actions which Lessee may deem necessary or appropriate in order to protest any Imposition or to secure a reduction in the amount of any

Imposition (including any interest and penalties thereon) which, by the terms of this Article 16, is payable by the Lessee; and Lessor hereby agrees, promptly upon the request of Lessee therefor, to execute and deliver to Lessee such other and further documents as Lessee may reasonably require in order to carry out the purposes of this Article 16.

An adjustment shall be made between Lessor and Lessee of all of the said items included within the term "Impositions" as of the Occupancy Date and as of the Expiration Date.

ARTICLE 17. INSURANCE.

During the term of this Lease, Lessee shall obtain, maintain, any pay the reasonable cost of securing the following insurance coverages in connection with the Demised Premises: (a) all risks insurance (which insures at the minimum against the risks covered by a first-class Pennsylvania fire insurance policy with extended coverage) insuring the Building and other Improvements on the Demised Premises and the fixtures contained therein in amounts of not less than 80% of the cost of replacement thereof in substantially the same condition as existed when the loss occurred, providing for a "deductible" of not more than $1,000.00 and naming Lessee, Lessor and the Allegheny county Industrial Development Authority ("ACIDA") as name insureds "as their interests may appear" and with a mortgagee clause in favor of Mellon Bank, N.A.; and (b) general public liability insurance against claims for personal injury,

death or property damage occurring upon, in or about the Demised Premises, and such insurance shall afford protection to Lessor, Lessee and the ACIDA to the limit of not less than $1,000,000.00 in respect to any injury or death to persons and in respect to property damage; (c) insurance insuring Lessor for loss of rental income from the Demised Premises during the term of this Lease due to the occurrence of any hazard, and having a policy limit not less than one hundred percent (100%) of the Annual Net Basic Rental and Additional Rental amounts established in this Lease; and (d) insurance against such other risks as Lessor and Lessee may from time to time deem necessary or advisable or as Lessee may desire to put into effect, of a similar or dissimilar nature, as are or shall be customarily covered with respect to buildings similar in construction, general location, use and occupancy, including, but without limiting the generality of the foregoing, windstorm, plate glass damage, hail, explosion, riot and civil commotion, damage from aircraft and vehicles, damage due to boiler failure, and smoke damage, as and when insurance against such other risks is available.

All policies of insurance and renewals thereof shall be subject to the mutual approval of Lessor and Lessee and shall provide (a) that no material change or cancellation of said policies shall be made without ten (10) days prior written notice to Lessor, Lessee, the ACIDA and Mellon Bank, N.A., (b) that any loss shall be payable notwithstanding any act or omission of the Lessee, Lessor or the

ACIDA (of any employee or agent of them) which might otherwise result in the forfeiture of said insurance, and (c) that the insurance company issuing the same shall have no right of subrogation against the Lessee, Lessor or the ACIDA. Lessee and Lessor shall observe and comply with the requirements of all policies of insurance in effect from time to time with respect to the Demised Premises and the fixtures and equipment contained therein.

Lessor and Lessee, respectively, hereby release each other from any and all liability or responsibility to the other and to anyone claiming through or under it or them by way of subrogation or otherwise for any loss of or damage to any property and any injury to or death of any person, to the extent that the same is covered by any insurance then in effect, even if such loss or damage or injury or death shall have been caused by the fault or negligence of the other party or anyone for whom such party may be responsible; provided, however, that this release shall be applicable and in force and effect only with respect to any loss or damage or injury or death occurring during such time as the policy or policies of insurance covering the same shall contain a clause or endorsement to the effect that this release shall not adversely affect or impair such insurance or prejudice the right of the insured to recover thereunder.

ARTICLE 18. ASSIGNMENT AND SUBLETTING.

Lessee shall not have the right to assign this Lease nor to sublet all or a portion of the Demised Premises

without the written consent of Lessor, which consent of Lessor will not be unreasonably withheld. On any subletting consented to by Lessor, (a) the sublease document must provide that the sublessee agrees to assume all terms, conditions and obligations of Lessee under this Lease and (b) Lessee shall remain liable under all terms and conditions of this Lease.

ARTICLE 19. DEFAULT.

The occurrence of any of the following shall constitute an "event of default" hereunder:

(a) Failure of Lessee to take possession of the Demised Premises within thirty (30) days after the Occupancy Date;

(b) The vacation or abandonment of the Demised Premises by Lessee; provided, however, that the cessation of regular business activities at the Demised Premises shall not constitute an event of default so long as (I) such cessation does not continue for more than six (6) months, (ii) during such cessation Lessee continues to maintain the Improvements and the Land in all respects as if the Demised Premises were being occupied and used for the purposes contemplated by this Lease, (iii) Lessee undertakes to provide security services to the Demised Premises (reasonably acceptable to Lessor) so as to protect the Demised Premises from damage or destruction by vandalism or the like, (iv) such cessation does not cause cancellation of any

insurance coverages required by this Lease, and (v) Lessee continues to observe and perform all other obligations and covenants to which it is subject under this Lease.

(c) A failure by lessee to pay (I) any installment of Annual Net Basic Rental hereunder within fifteen (15) days after the date on which the same is due, or (ii) any other sum herein required to be paid by Lessee and the same is not paid within fifteen (15) days from the receipt of written notice that the same is due;

(d) A failure by Lessee to observe and perform any other provision or covenant of this Lease to be observed or performed by Lessee where such failure continues for thirty (30) days after written notice thereof from Lessor to Lessee; provided, however, that, if the nature of the default is such that the same cannot reasonably be cured within such thirty (30) day period, Lessee shall not be deemed to be in default if Lessee shall within such period commence such cure and thereafter diligently prosecute the same to completion; and

(e) The filing of a petition by or against Lessee for adjudication as a bankrupt or insolvent or for its reorganization or for the appointment pursuant to any local, state or federal bankruptcy or insolvency law of a receiver or trustee of Lessee's property; or an assignment by Lessee for the benefit of creditors; or the taking possession of the property of Lessee by any local, state or

federal governmental officer or agency or court-appointed official for the dissolution or liquidation of Lessee or for the operating, either temporarily or permanently, of Lessee's business, provided; however, that if any such action is com- menced against Lessee the same shall not constitute a de- fault if the same is dismissed or stayed within sixty (60) days after the filing of the same.

ARTICLE 20. REMEDIES

Upon the occurrence of any such event of default set forth above in Article 19:

(a) Lessor may accelerate all Annual Net Basic Rental payments due to the balance of the term of this Lease, discounting the same to the then present value using an interest factor of seven and one-half percent (7-1/2%) per annum, and declare the same to be immediately due and payable;

(b) Lessor, at its option, may serve notice upon Lessee that this Lease and the then unexpired term hereof shall cease and expire and become absolutely void on the date specified in such notice, to be not less than five (5) days after the date of such notice; and, thereupon and at the expiration of the time limit specified in such notice, this Lease and the term hereof granted, as well as the right, title and interest of the Lessee hereunder, shall wholly cease and expire and become void in the same manner and with the same force and effect (except as otherwise

provided in the last sentence of this paragraph) as if the date fixed in such notice were the Expiration Date. Thereupon, Lessee shall immediately quit and surrender to Lessor the Demised Premises, and Lessor may enter into and repossess the Demised Premises in any lawful manner by summary proceedings, detainer, ejectment or otherwise and remove all occupants thereof and, at Lessor's option, any property thereon. No such expiration or termination of this Lease shall relieve Lessee of its liability and obligations under this Lease, whether or not the Demised Premises shall be relet;

(c) Lessor may, at any time after the occurrence of any event of default, re-enter and repossess the Demised Premises and any part thereof and attempt in his own name, as agent for Lessee if this Lease not be terminated, or in its own behalf if this Lease be terminated, to relet all or any part of such Demised Premises, in a commercially reasonable manner on arms' length basis, for and upon such terms and to such persons, firms or corporations and for such period or periods a Lessor, in its sold discretion, shall determine, including a term beyond the Expiration Date; and Lessor shall not be required to accept any tenant offered by Lessee or observe any instruction given by Lessee about such reletting; provided, however, that Lessor shall exercise its best efforts to mitigate damages. Subject to the foregoing, for the purpose of such reletting, Lessor may

reasonably decorate or make reasonable repairs, changes, alterations, or additions in or to the Demised Premises to the extent reasonably deemed by Lessor necessary or desirable; an the cost of such decoration, repairs, changes alterations or additions hall be charged to and by payable by Lessee as additional rent hereunder, together with any reasonable brokerage and legal fees expended by Lessor in connection therewith; and any sums collected by Lessor from any new tenant of the Demised Premises shall be credited against the balance of the Annual Net Basic Rental and additional rent due hereunder. Lessee shall pay to Lessor, monthly, on the days when the Annual net Basic Rental would have been payable under this Lease, the amount due under this paragraph (c) less the amount obtained by Lessor from such new tenant;

(d) In the event of a breach or threatened breach by one party of any of the agreements, conditions, covenants or terms hereof, the other party shall have the right to invoke any remedy allowed by law or in equity, whether or not other remedies, indemnity or reimbursements are herein provided. The rights and remedies provided in this Lease are distinct, separate and cumulative remedies; and no one of the, whether or not exercised, shall be deemed to be in exclusion of any of the others;

(e) In the event of any such default, Lessee hereby empowers any prothonotary or attorney of any court of

record to appear for Lessee in any and all actions which may be brought for Annual Net Basic Rental or additional rent, or other charges or expenses agreed to be paid by Lessee hereunder, and to sign for Lessee an agreement for entering into any competent court an amicable action or actions for the recovery of Annual net Basic Rental, additional rent, or other charges for expenses and, in said suits or in said amicable action or actions, to confess judgment against Lessee for all or any part of such Annual Net Basic Rental, additional rent, including, at Lessor's option, the Annual Net Basic Rental for the entire unexpired balance of the term of this Lease, computed as set forth in paragraph (a) of this Article 20, and any other charges, payments, costs and expenses reserved as rent or agreed to be paid by Lessee, and for interest and costs together with an attorney's commission of five percent (5%) thereof; provided, however, that, at least fifteen (15) days prior to the commencement of any suit or action pursuant to this paragraph (e) of Article 20, Lessor shall give Lessee written notice of its intention to do so. Said authority shall not be exhausted by any one exercise thereof, but judgment may be confessed as aforesaid form time to time and as often as any of said Annual Net Basic Rental, additional rent or other charges reserved as rent shall fall due or be in arrears, and such powers may be exercised as well after the expiration of the term of this Lease. It shall not be

necessary for lessor to file the original of this Lease, but Lessor may file a true copy thereof at the time of the entry of such judgment or judgments; and

(f) When this Lease shall be determined by condition broken during the term of this Lease, and also when and as soon as the term hereby created has expired, it shall be lawful for any attorney as attorney for the Lessee to file an agreement for entering in any competent court an amicable action and judgment in ejection against Lessee and all persons or entities claiming under Lessee for the recovery by Lessor of possession of the Demised Premises, for which this Lease shall be sufficient warrant; whereupon, if Lessor so desires, a writ of Habere facias possessionem may issue forthwith, without any prior writ or proceeding whatsoever, and provided that, if for any reason after such action shall have been commenced the same shall be determined and possession of the Demised Premised shall remain in or be restored to Lessee, Lessor shall have the right, upon any subsequent default or defaults or upon the termination or expiration of this Lease, to bring one or more amicable action or actions to recover possession of the said Demised Premises; provided, however, that, at least fifteen (15) day prior to the commencement of any suit or action pursuant to this paragraph (f) of Article 20, Lessor shall give Lessee written notice of its intention to do so. In any amicable action of ejectment, Lessor shall first cause to be

filed in such action an affidavit made by it or someone acting for it setting orth the facts necessary to authorize the entry of judgment, and, if a true copy of this Lease (and of the truth of the copy such affidavit shall be sufficient evidence) be filed in such action, it shall not be necessary to file the original as a warrant of attorney, any rule of court, custom or practice to the contrary notwithstanding.

ARTICLE 21. PUBLIC AUTHORITY.

From and after the Occupancy Date and during the term of this Lease, Lessee shall, at its sole cost and expense, promptly comply with all applicable laws, statutes, ordinances, regulations, orders and requirements of all federal, state, county, township or other governmental authorities having jurisdiction over the Demised Premises including the appropriate departments, commissions, boards and officers thereof, and with the orders, rules and regulations of the Board of Fire Underwriters or any other body hereafter constituted exercising similar functions, foreseen or unforeseen, ordinary as well as extraordinary, and whether or not the same require additions or alterations to the Demised Premises; provided, however, that Lessee shall have the right to contest the applicability or validity of any such laws, statutes, ordinances, regulations, orders and requirements and to defer compliance therewith pending the outcome of such contest, unless a deferral of compliance

(I) would constitute a criminal offense, or (ii) would or could subject Lessor to liability (in which event Lessee may defer compliance only if Lessee indemnifies Lessor against any such liability and provides to Lessor security reasonably acceptable to Lessor for such indemnity).

ARTICLE 22. SUBORDINATION.

This Lease is subject and subordinate to the following mortgages, liens, encumbrances and interests and no others (the same being hereinafter collectively referred to as "Permitted Encumbrances") : (a) Lease Agreement between Richard A. Roos (as Lessee) and the Allegheny County Industrial Development Authority (as Lessor), dated January 10, 1980; (b) Mortgage and Security Agreement between Allegheny County Industrial Development authority (as Mortgagor and debtor) and Mellon Bank, N.A. (as mortgagee and secured party) dated January 10, 1980.

This Lease shall be subject and subordinate to no future mortgage, lien or other encumbrance (except Permitted Encumbrances) unless and until each holder of each such mortgage, lien or other encumbrance (except Permitted (Encumbrances) shall have delivered to Lessee a fully-executed original counterpart of a non-disturbance agreement (in form and substance reasonably satisfactory to Lessee) roviding that, notwithstanding such subordination, this Lease shall not terminate in the event of any foreclosure

of, or default by Lessor under any such future encumbrance as long as Lessee is not in default under any of the terms and conditions hereof, and Lessee agrees to attorn to and to recognize any successor of Lessor, by virtue of such foreclosure of default, as Lessee's landlord for the balance of the term of this Lease. The aforesaid subordination and attornment provisions shall be self-operative; however, Lessee agrees to promptly execute any further agreement submitted by Lessor in confirmation or acknowledgment of same.

ARTICLE 23. LESSOR'S APPROVAL OF REPAIRS.

When at any time during the term of this Lease, Lessee shall be obligated to repair, replace or rebuild the Building and other Improvements on the Demised Premises and if the estimated cost thereof will exceed the sum of Five Thousand Dollars ($5,000.00) , Lessee shall not commence same until Lessee shall have obtained the Lessor's prior written approval to the plans and specifications for the proposed work, which approval the Lessor shall not unreasonably withhold. All such work shall be performed by a contractor reasonably acceptable to Lessor and under the supervision of a registered architect, a registered engineer, or an employee of Lessee reasonably acceptable to Lessor. All requests for approvals under this Article 23 shall be answered by Lessor within fifteen (15) days following the receipt by Lessor of a written request from Lessee for the

same. Prior to the commencement of any work on said repairs, replacement or rebuilding, Lessee shall supply Lessor with satisfactory evidence of the following items: (a) the procurement of all necessary permits and authorizations from the various governmental authorities having jurisdiction over the Demised Premises, (b) the filing of a satisfactory waiver against mechanics' liens, and (c) Workmen's Compensation Insurance, Public Liability Insurance and Property Damage Insurance in amounts, form and content, and with companies reasonably satisfactory to Lessor.

ARTICLE 24. QUIET POSSESSION.

Lessor covenants with Lessee, that, subject to the terms and conditions of this Lease, if and so long as Lessee (I) pays the Annual Net Basic Rental, the additional rent and any other charges payable by Lessee under the terms, covenants, agreements and conditions of this Lease and (ii) performs all of the other terms, covenants, agreements and conditions of this Lease to be performed by Lessee, then Lessee shall quietly occupy and enjoy the Demised Premises during the term of this Lease without hindrance or disturbance by Lessor or by anyone claiming through or under Lessor.

ARTICLE 25. NOTICES.

Any notice from the Lessor to the Lessee or from the Lessee to the Lessor shall be served by (a) personally delivering such notice to a duly authorized representative of the Lessee at the Demised Premises or to a duly authorized

representative of the Lessor at the address hereinafter set forth or (b) by mailing such notice, by Registered or Certified Mail, postage prepaid, to Lessee at the Demised Premises or to Lessor at the address hereinafter set forth. Any notice shall be deemed to have been received (a) in the case of personal delivery, on the date such delivery is made, and (b) in the case of service by mail, on the second (2nd) business day following the date the same is deposited in the United States Mail, properly addressed and posted in the manner hereinbefore provided. The address of the Lessor is 9596 Park Edge Drive, Allison Park, Pennsylvania 15101. Either party hereto may change the address at which any notice (or copy of any notice) shall be delivered or mailed by giving written notice of such change to the other party hereto, as above provided in this Article 25.

ARTICLE 26. REQUIREMENT OF STRICT PERFORMANCE.

Any law, usage or custom to the contrary notwith- standing, each party shall have the right at all times to enforce all terms, conditions and covenants hereof in strict accordance herewith, notwithstanding any conduct or custom on the part of such party in refraining from so doing at any time or times. Further, the failure of either party to this Lease at any time or times to enforce its rights hereunder strictly in accordance with the same shall not be construed as having created a custom in any way or manner contrary to any specific term, condition or covenant hereof or as having in any way or manner modified the same.

ARTICLE 27. ADDITIONAL RENT.

All payments required of Lessee, in addition to the Annual Net Basic Rental under the terms and conditions of this Lease, may, at the sole option of Lessor, be deemed to be additional rent and shall be payable to Lessor within fifteen (15) days after Lessor's written demand and notice to Lessee therefor; and Lessor shall have all of the rights and remedies provided in this Lease in event of default by Lessee in such payment. In the event that any payment required of Lessee herein is made by Lessor, Lessee agrees that said payment, together with interest at the rate of twelve percent (12%) per annum from the date of payment by Lessor, shall be deemed additional rent hereunder and shall be payable to Lessor as aforesaid. The making by Lessor of any payment required of Lessee herein shall not be or construed to be a waiver of any such default by Lessee.

If Lessor request, Lessee shall make monthly payments to Lessor sufficient to cover one-twelfth (1/12th) of the annual real estate taxes and one-twelfth (1/12th) of the all risk insurance policy premium, such payments to be held in escrow by Mellon Bank, N.A. , without interest, for the payment or such taxes and insurance premium as the same shall become due.

ARTICLE 28. LESSOR'S OBLIGATIONS.

The obligations under this Lease of the Lessor named in the paragraph preceding Article 1 of this Lease

shall be binding upon such Lessor only for the period in which he is the owner of the Demised Premises; and upon termination of that ownership Lessee, except as to any obligation which has then matured, shall look solely to Lessor's successor in interest in the Demised Premises for the satisfaction of each and every obligation of Lessor hereunder.

ARTICLE 29. INSPECTIONS.

The Allegheny County Industrial Development Authority and Mellon Bank, N.A. shall both have that right, at all time, upon the giving of twenty-four (24) hours prior notice to Lessee, by their duly authorized employees and agents and at their sole cost and expense, to go upon and inspect the Demised Premises during Lessee's usual business hours.

ARTICLE 30. SUCCESSORS.

The respective rights and obligations provided in this Lease shall bind and shall inure to the benefit of the parties hereto, their respective legal representative, heirs, successors and permitted assigns.

ARTICLE 31. GOVERNING LAW.

This Lease shall be construed, governed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

ARTICLE 32. SEVERABILITY.

If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions

hereof shall in no way be affected or impaired, and such remaining provisions shall remain in full force and effect.

ARTICLE 33. CAPTIONS.

Marginal captions and article titles to this Lease are of convenience and reference only and are in no way to be construed as defining, limited or modifying the scope of intent of the various provisions of this Lease.

ARTICLE 34 ENTIRE AGREEMENT

This Lease, including the Exhibits hereto, contains all the agreements, conditions, understandings, representations and warranties made between the parties hereto with respect to the subject matter hereof, and may not be modified orally or in any manner other than by an agreement in writing signed by both parties hereto or their respective successors in interest.

IN WITNESS WHEREOF, the parties hereto have duly executed this Lease and have initialed the Exhibits hereto, in counterparts the day and year first above written.

WITNESS:	RICHARD A. ROSS, LESSOR
/s/ Peter C. Baggerau	/s/ Richard A. Roos
- ----------	----------
	Richard A. Roos
ATTEST:	BUSCH CO., LESSEE
/s/ Christine H. Fleming	/s/ Jack Blaiyousef
- ----------	----------
Assistant Secretary	Vice President

[Seal]

Exhibit A

ALL THOSE TWO CERTAIN PARCELS OF LAND situate in the Township of Shaler, County of Allegheny and Commonwealth of Pennsylvania, separately bounded and described as follows:

FIRST: Lots 1,2 and 3 in Mary Cunningham's Plan of Lots called Littlewood, recorded in Plan Book 12, page 158, bounded and described as follows:

BEGINNING at a point on the Easterly side of Mount Royal Boulevard (formerly the Pittsburgh and Butler Turnpike Road) at the Northeasterly corner of East Undercliff Street (formerly Highland Avenue) in said Plan: thence along the Easterly side of Mount Royal Boulevard, North 6(0) 25' 56" East 120.45 feet to an alley, 15 feet wide; thence along the Southerly side of said alley, South 88(0) 55' East 120.45 feet to the Westerly side of an unopened alley shown on said Plan; thence along the Westerly side of said alley, South 6(0) West 120.45 feet of the Northerly side of East Undercliff Street; thence along said side of East Undercliff Street, North 88(0) 55' West 119.63 feet to the place of beginning.

SECOND: Part of Lot No. 4 in Mary Cunningham's Plan of Lots called Littlewood,

recorded in Plan Book 12, page 158, together with a portion of an alley situated between Lot No. 4 on one side and Lots Nos. 1, 2 and 3 on the other side, together bounded and described as follows:

BEGINNING at a point on the Northerly side of East Undercliff Street (formerly Highland Avenue) at the Southeasterly corner of Lot No. 1 in said Plan; thence along the Easterly line of Lots Nos. 1, 2 and 3 in said Plan, being also along the Westerly side of an unopened alley in said Plan, North 6(0) East 120.45 feet of the Northeasterly corner of Lot No. 3 in said Plan; thence along the Southerly side of another alley in said Plan, South 88(0) 55' East 42.18 feet to a point; thence through said lot No. 4, South 1(0) 33' 39" West 120.00 feet to the Northerly side of East Undercliff Street; thence along side of East Undercliff Street, North 88(0) 55' West 51.50 feet of the place of beginning.

Exhibit B

Plans and Specifications

1. Specifications dated September 1, 1979

2. Addendum No. 1 to Specifications dated October 18, 1979

3. Addendum No. 2 to Specifications dated December 19, 1979

4. Drawings: No. 1 through No. 7 dated September 1, 1979
No. H-1 and No. H-2 dated December 27.1979
No. E-1 through No. E-3 dated December 27, 1979

AMENDMENT TO LEASE

THE AMENDMENT made this 1st day of August, 1988, by and between RICHARD A. ROOS, an individual residing at 9596 Park Edge Drive, Allison Park, Pennsylvania 1501 (hereafter called "Lessor")and BUSCH COMPANY,a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal office at 904 Mt. Royal Boulevard, Pittsburgh, Pennsylvania 15223 (hereinafter called "Lessee").

WITNESSETH:

WHEREAS, Lessor and Lessee are parties to a certain commercial lease (the "Lease"), dated the 10th day of January, 1980, governing certain property located at 904 Mt. Royal Boulevard, Pittsburgh, Pennsylvania 15223 (said property hereinafter called the "Demised Premises"); and

WHEREAS, Lessor and Lessee desire to change the terms of the Lease in certain respects as hereinafter provided.

NOW, THEREFORE, intending to be legally bound hereby, Lessor and Lessee hereby covenant and agree as follows:

1. Article II Term and Rent of the Lease is hereby deleted in its entirety and the following Article II shall be substituted therefor:

ARTICLE II
TERM AND RENT

The term of the Lease shall be extended to July 31, 1998. From August 1, 1988 through July 31, 1993, the Annual Net Basic Rental for the Demised Premises, shall be One Hundred Three-Thousand Two Hundred and 00 / 100 Dollars ($103,200.00). For the period commencing August 1, 1993 through July 31, 1998, the Annual Net Basic Rental for the Demised Premises shall be an amount agreed to by Lessor and Lessee. If Lessor and Lessee are unable to agree on appropriate rent, they shall select an M. A. I. appraiser who shall determine the fair market rental for the remaining term of the lease. In the event that the selection of an appraiser cannot be agreed upon, the Lessor and Lessee shall each select one M. A. I. appraiser and the two appraisers so selected shall select a third. The controlling rental for the remaining term of the Lease shall be the average rental determined by the three appraisals. The expense of the appraisals shall be borne one-half (1/2) by the Lessor and one-half (1/2) by the Lessee. Notwithstanding anything herein herein to the contrary, the Annual Net Basic Rental for the period August 1, 1993 through July 31, 1998 shall not be less than One Hundred Three Thousand Two Hundred and 00/100 Dollars ($103,200.00).

It is the intention and agreement of the Lessor and the Lessee that such Annual Net Basic Rental shall be paid by the Lessee to the Lessor absolutely net, without any deduction or set-off of any kind or nature whatsoever. Such Annual Net Basic Rental Shall be payable in monthly installments, each of which installment shall be an amount equal to one-twelfth (1/12th) of the applicable Annual Net Basic Rental, and shall be paid in advance on or before the first business day of each month during the term of this Lease, without demand, to the Lessor at 9596 park Edge Road, Allison park, Pennsylvania 15101 or at such other place as the Lessor may designate in writing from time to time.

2. In all other respects, the lease is hereby ratified and confirmed in its entirety.

IN WITNESS WHEREOF, the parties hereto sign as of this 1st day of August, 1988.

WITNESS:	LESSOR:
/s/ Keith Blough	/s/ Richard A. Roos
- ----------	----------
	Richard A. Roos
ATTEST:	LESSEE: BUSCH COMPANY
/s/ John D. Houston II	/s/ Andrew M. Halapin
- ----------	----------
John D. Houston II, Secretary	Andrew M. Halapin, President

AMENDMENT TO LEASE

AMENDMENT MADE this 21st day of May, 1991, by and between RICHARD A. ROOS, an individual residing at 9596 Park Edge Drive, Allison Park, Pennsylvania 15101 (hereinafter called "Lessor") and BUSCH COMPANY, a corporation organized and existing under the the laws of the Commonwealth of Pennsylvania, having its principal office at 904 Mt. Royal Boulevard, Pittsburgh, Pennsylvania 15223 (hereinafter called "Lessee").

WITNESSETH:

WHEREAS, Lessor and Lessee are parties to a certain commercial lease (the "Lease"), dated the 10th day of January, 1980, governing certain property located at 904 Mt. Royal Boulevard, Pittsburgh, Pennsylvania 15223 (said property hereinafter called the "Demised Premises");

WHEREAS, the Lease was amended by agreement between the parties dated August 1, 1988; and

WHEREAS, Lessor and Lessee desire to change the terms of the amended Lease ("Amended Lease") in certain respects as hereinafter provided.

NOW, THEREFORE, intending to be legally bound hereby, Lessor and Lessee hereby covenant and agree as follows:

1. Article II Term and Rent of the Lease is hereby deleted in its entirety and the following Article II shall be substituted therefor:

ARTICLE II
TERM AND RENT

The term of the Lease shall be extended to July 31, 1999. The Annual Net Basic Rental for the Demised Premises, shall be One Hundred Three-Thousand Two Hundred and 00 / 100 Dollars ($103,200.00) for term of the Lease.

It is the intention and agreement of the Lessor and the Lessee that such Annual Net Basic Rental shall be paid by the Lessee to the Lessor absolutely net, without any deduction or set-off of any kind or nature whatsoever. Such Annual Net Basic Rental Shall be payable in monthly installments, each of which installment shall be an amount equal to one-twelfth (1/12th) of the applicable Annual Net Basic Rental, and shall be paid in advance on or before the first business day of each month during the term of this Lease, without demand, to the Lessor at 9596 park Edge Road, Allison park, Pennsylvania 15101 or at such other place as the Lessor may designate in writing from time to time.

2. In all other respects, the lease is hereby ratified and confirmed in its entirety.

IN WITNESS WHEREOF, the parties hereto sign as of this 1st day of May, 1991.

WITNESS:	LESSOR:
/s/ Kathleen M. Blackburn - ----------	/s/ Richard A. Roos ---------- Richard A. Roos
ATTEST:	LESSEE:
/s/ John D. Houston II - ---------- John D. Houston II, Secretary	By:/s/ Andrew M. Halapin ---------- Andrew M. Halapin, President

AMENDMENT TO LEASE

THIS ADDENDUM TO LEASE MADE this 1st day of June, 1991 by and between JDA, Inc., a Pennsylvania corporation with an address at 904 Mt. Royal boulevard, Pittsburgh, Pennsylvania 15223 (hereinafter called "JDA") and BUSCH COMPANY, a Pennsylvania corporation having its principal office at 904 Mt. Royal Boulevard, Pittsburgh, Pennsylvania 15223 (hereinafter called "Lessee").

WITNESSETH:

WHEREAS, Richard A. Roos ("Roos") as Lessor and Lessee are parties to a certain commercial lease (the "Lease"), dated January 10, 1980, governing certain property located at 904 Mt. Royal Boulevard, Pittsburgh, Pennsylvania 15223 (said property hereinafter called the "Demised Premises");

WHEREAS, the Lease was amended by agreement between Roos and Lessee dated August, 1, 19988 and by agreement of Roos and Lessee dated May 21, 1991: and

WHEREAS, JDA acquired the Demised Premises from Roos subject to the terms of the amended Lease "Amended Lease") such that the Lessee is to continue to pay the Annual Net Basic Rental of $103,200 for the term of the Lease to Roos (through and including July 31, 1999).

NOW, THEREFORE, intending to be legally bound hereby, JDA and Lessee hereby covenant and agree as follows:

1. In addition to the Annual Net Basic Rental of $103,200 to be paid to Roos, Lessee shall pay to JDA the amount of $2,509.00 per month as additional rent for the term of the Lessee (through and including July 31, 1999).

2. In all other respects, the Amended Lease is hereby ratified and confirmed in its entirety.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Addendum to lease as of the date first written.

JDA, INC.

By: /s/ Andrew M. Halapin

Andre M. Halapin
President

BUSCH CO.

By: /s/ Andrew M. Halapin

Andrew M. Halapin
President

Exhibit 10.41

LEASE

THIS AGREEMENT, made the 17th day of October, 1994 JOSEPH V. SALVUCCI (hereinafter called "LANDLORD"), Party of the First Part. and BUSCH CO (hereinafter called "Tenant" of the Second Part.

In consideration of the rents, covenants and agreements hereinafter contained, the Landlord and Tenant hereby agree as follows:

1. THE PREMISES

Landlord does demise and lease to the Tenant and Tenant agrees to lease from Landlord all that certain portion of building (hereinafter called "Premises") having a municipal address of 51 Bridge Street, Etna, PA, and containing 1,000 square feet of space, more fully identified in the exhibit attached and made a part of hereof.

2. TERM

To have and to hold the Premises for the term of one year, commencing on the 1st day of October, 1994, and ending on the 30th day of September, 1995, unless otherwise terminated.

3. RENT

The tenant shall without deduction of right or offset pay to the Landlord the total rent of Two Thousand Five Hundred Twenty Dollar (2,520.00) payable in monthly installments of Two Hundred Ten Dollars ($210.) on or before the first day of each month until the whole amount of said rent is paid. The first installment of Two Hundred Ten Dollars ($210.00), being rent for the period of October, 1994, shall be due on the signing of this Lease. In addition, the Tenant agrees to pay the Landlord any other sum or sums herein reserved as additional rentals. The rentals recited herein shall be increased by ten percent (10%) each month the rent is overdue by more than five (5) days.

4. SECURITY DEPOSIT

As security for the performance of the terms and conditions of this Lease, Tenant has deposited in escrow with Landlord's Agent, the sum of Two Hundred Dollars ($200.00) on the signing of this Lease. Provided Tenant has compiled with all the terms and conditions of this Lease, such sums will be returned to

the Tenant within thirty (30) days after the expiration of this Lease term or any extension thereto, less any sums necessary for repairs to damaged caused by Tenant over and above natural wear and tear. Landlord's Agent will hold the security deposit in a federally insured financial institution with interest accruing to the benefit of the Tenant. In the event of default by the Tenant, principal and interest may be taken by the Landlord and applied toward the cure of such default.

5. USE AND OCCUPANCY

Tenant covenants to use and occupy the leased Premises only for storage and related uses. Landlord acknowledges that, to the best of his knowledge at this time, the Premises' zoning permits the aforementioned use. If Tenant is unable to obtain municipal zoning permission the start of his Lease to operate his business under the aforementioned use, Tenant shall have the right to cancel this Lease in which case Tenant's sole remedy will be to have all rental monies and any security deposits paid on account returned to Tenant. Tenant shall obtain, at his own cost and expense, any licenses and permits necessary for Tenant to legally operate his aforementioned business in the Premises. Landlord agrees, upon request by Tenant, to sign promptly and without a charge therefore, any application for any licenses and permits where signature of Landlord is required BY applicable laws in force at the time so long as Landlord incurs no cost in connection therewith.

6. ENVIRONMENTAL CONCERNS

Landlord acknowledges that to the best of his knowledge the premises are in compliance with the United States Government's Comprehensive Environmental Response Compensation and Liability Act. Tenant may, at his option and expense, prior to the first day of the lease, have the right to conduct an examination and analysis of the soil and structures of his to be demised Premises to determine the existence and levels of any environmentally hazardous materials as may be identified in the aforementioned act. If the existence of any environmentally hazardous materials is identified, tenant may, at his options, terminate his lease or elect to enter into the lease agreement, in which event tenant assumes the responsibility for the removal of said materials. If tenant does not have testing done and takes possession of his demised premises, tenant herein acknowledges that the demised premises are environmentally in compliance with the aforementioned Act and any environmentally hazardous materials found on the demised premises during the term of tenant's lease or prior to a subsequent tenant's possession, shall be

deemed to be the sole responsibility of tenant and the correction thereof shall be at tenant's sole cost and expense.

7. UTILITY CHARGES

Landlord will provide electric to the leased premises. Landlord will pay for Tenant's electric usage as long as the electric bills do not exceed the monthly electric bills for the 12 months of 1993 by more than three (3%) per cent as measured by the usage on said bills. Any increase over that factor will be billed to Tenant. The cost of all utilities billed to Tenant by Landlord shall be considered rent and collected as such with like remedies for the non-payment thereof.

8. TAXES

The Landlord shall pay the 1994 base year real estate taxes. In the event the taxes levied and assessed against the real estate are increased beyond that imposed for the year 1994, whether occasioned by an increase in millage or an increase in assessment or otherwise, the Tenant shall pay, as additional rent, his proportionate share of any increase based upon the square footage of Tenant's space as a fraction of the total square footage of the building over the base year during the term of this Lease, or any renewal thereof based upon his square footage occupied. This includes county, municipal and school district taxes and shall apply to any tax measured by the value or use of the real estate. Payment shall be made to landlord in a lump sum within thirty (30) days of Landlord's written notice to Tenant with appropriate bills evidencing same.

9. PUBLIC LIABILITY INSURANCE

Tenant shall carry, at its own cost, comprehensive public liability insurance in an insurance company satisfactory to the Landlord with Landlord named as additional insured with limits of not less than $1,000,000 for bodily injury and death and $500,000 for property damages, which shall include a provision for thirty (30) days' advance written notice to the Landlord in the event of any pending change or cancellation of such insurance. If Tenant shall fail to take out or maintain such insurance, then Landlord may, at the Landlord's election, procure the same, which premium costs shall be additional rent hereunder due, it being expressly covenanted and agreed that payment by Landlord of any such premium shall not be deemed a waiver or release of the default of the Tenants in the payment thereof. Certificate of said insurance will be issued to Landlord within fifteen (15) days of the signing of this Lease by both parties. Tenant further agrees to indemnify and hold the Landlord and Landlord's Agent harmless against claims for injury or damages, whether to person or property, resulting from or in connection with the Tenant's use and

occupancy of the leased premises, unless such accident or injury was caused by Landlord's or Landlord's Agent's sole negligence.

10. FIRE AND EXTENDED COVERAGE INSURANCE

Landlord agrees to carry adequate fire and extended coverage insurance on the leased Premises. The entire sum awarded in the event of damage by fire or other causes shall belong to the Landlord. Should the occupancy of said space by Tenant increase in any way the premiums shall be forthwith paid by the Tenant on notice by Landlord or his Agent stating and giving the amount thereof based on the present rate, collectable as rent with like remedies for the nonpayment thereof.

11. MAINTENANCE AND REPAIRS

Landlord agrees to deliver possession of the Premises free of rubbish, broom clean and shall deliver all lighting tubes and fixtures and overhead doors in good working order. Tenant shall be responsible for the maintenance of the interior of the Premises including all lighting and general cleanliness and will keep the Premises in a safe and sanitary condition. Tenant shall also be responsible for replacement to the leased Premises and any other parts of the property in the event of any damage caused by Tenant, its employees or its invitees. Landlord will be responsible for maintaining the roof, sidewalls, external windows and foundation.

12. ALTERATIONS

Tenant will accept the Premises in its "as is" condition and is authorized at its own expense to make such alterations, repairs and additions to the leased Premises as it finds necessary for its purposes and as may be required under the Americans with Disabilities Act, and be permitted by laws and regulations in force at the time; but no alterations, repairs or additions which shall affect the structure of the building shall be made without first obtaining the written approval of the Landlord on each occasion; such approval shall not be unreasonably withheld. Tenant shall obtain no lien contracts for such alterations, additions and improvements. Upon termination of the Lease, building must be restored to its original state if so desired by Landlord. All such leasehold improvements shall constitute and become a permanent part of the Premises.

13. SIGNS

The Tenant may, at his own risk and expense, erect signs concerning its business on the exterior of the demised Premises, in places mutually agreed upon by Landlord and Tenant. Tenant

agrees to maintain signs in good state of repair and shall save the Landlord harmless from any loss, cost or damage as the result of the erection, maintenance, existence or removal of the same. At the expiration of the term, or any renewals thereof, Tenant shall remove said signs and repair any damage caused by the erection, existence or removal of same. Such signs shall comply with any governing authority having jurisdiction thereof.

14. COMMON USE AREA

Tenant shall have the right to use in common with Landlord and other Tenants the following areas: The overhead door on the southerly end of the property and the common aisleway designated on the attached exhibit. The maintenance thereof shall be the responsibility of Landlord.

15. DAMAGES

If during the term of this Lease r renewal thereof, the Premises hereby demised are so damaged by fire or other casualty that, in the opinion of the Landlord the Premises are rendered unfit for Tenant's occupancy, or any damage which occurs in the last three (3) months of a lease term or renewal term, then this Lease shall cease and terminate from the date of such damage and Tenant shall immediately surrender the Premises to the Landlord who may enter and repossess the same. If by the exercise of reasonable diligence such damage can be repaired within thirty (30) days from the date of the occurrence thereof, the Landlord may enter and repair, and this Lease shall not be affected thereby, except that if a substantial part of the Premises has been rendered unfit for occupancy, a just portion of the rent, according to the extend of such damage, shall be canceled and abated for the period of such repair, but if such damage does not interfere in any manner with occupancy by the Tenant of the Premises herein demised, the rent shall not be apportioned or abated in any way. If said building of which all or a part are herein leased to Tenant is so damaged by fire or other casualty through the negligence of Tenant, then Tenant shall be liable to Landlord for any loss of income incurred through such damage. In addition, Tenant shall be held liable to Landlord for the replacement and repair of any damage caused through said negligence of Tenant excepting such amounts paid by Landlord's own insurance. In no event shall the Landlord or his Agent be held liable for any loss or damage sustained by Tenant.

16. CONDEMNATION

If all or any part of the building in which Tenant occupies space shall be taken or acquired by governmental authority or any corporation having the right to condemn through eminent domain

or other proceedings, this Lease shall be terminated as of the date of such taking or acquiring and the rent shall be apportioned and paid to such date. The entire sum awarded for the Premises taken or acquired shall be paid and belong to the Landlord and shall not be diminished by the value of the leasehold of the Tenant or any party claiming under or through this Lease.

17. ASSIGNMENT OR SUBLETTING

Tenant may assign this Lease and/or sublet the whole or any part or parts of its demised Premises upon receiving the written permission of the Landlord, which consent shall not be unreasonably held, provided that Tenant shall remain liable for the performance of all terms and conditions of the Lease. In the event any assignment of subletting results in Tenant receiving rent or other related payments in excess of Tenant's financial obligations hereunder, Tenant agrees to pay to Landlord monthly one-half (1/2) of the amount by which such payments exceed its financial obligations hereunder.

18. TRADE FIXTURES

Tenant may, upon the termination of the Lease or any renewal thereof, remove any and all trade fixtures owned by Tenant which are not attached to the Premises or which may be removed without permanent injury to or defacement of the Premises, provided, however, that all rents have been fully paid and all covenants herein stipulated fully performed and, further, all damages, if any, to said Premises incident to such removal are promptly repaired.

19. LANDLORD'S RIGHT TO ENTER

Landlord and its agents shall have access to the elapsed Premises at all times for the purpose of general inspection, Landlord's repairs, protection against damage by fire and other hazards, and for the purpose of verifying the general compliance by Tenant with all applicable provisions of this Lease. Further, Landlord expressly reserves the right to enter the leased Premises within the last six (6) months of the Lease in order to show the Premises to prospective tenants and display a notice or sign "For Rent" and/or "For Sale" and to maintain the same as placed, and after the time Tenant abandons or vacates the Premises or otherwise defaults hereunder, to enter and decorate, remodel, repair, alter or otherwise prepare the premises for re-occupancy. The exercise of any such reserved right by the Landlord shall not be deemed an eviction or disturbance of Tenant's use and possession of the Premises and shall not render Landlord liable in any manner to Tenant or to any other person.

20. QUIET POSSESSION

Landlord covenants that they are seized in fee simple of the leased Premises; that they have the full right to make this Lease, and that if and so long as Tenant may not be in default here-under, Tenant shall quietly hold, occupy and enjoy the leased Premises under the conditions of this Lease.

21. SUBORDINATION

Tenant accepts this Lease and will subordinate it only to bona fide existing or future mortgage and financing or refinancing in connection therewith, secured by the leased premises and/or this leasehold, and will execute any instruments reasonably necessary to effect such subordinations which Landlord may require.

22. CUMULATIVE REMEDIES

No remedy herein conferred upon or reserved to Landlord or Tenant is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute, and each shall be continuous so that none shall be exhausted by being exercised on one or more occasions.

23. DISTRAINT

Tenant agrees that whenever rent or anything reserved as rent is unpaid and in default under this Lease, Landlord may seize or distrain all property of Tenant on the Premises, and sell the same on due legal notice for all rent and other payments due as rent, subject, however, to the definition of default as set forth in Paragraph 24.

24. DEFAULT

It is further agreed by and between Landlord and Tenant that, subject as hereinafter provided, if the Tenant shall default in payment of any installment of rent or breach any other term or condition of this Lease, or should an execution be issued against Tenant, bankruptcy proceedings be begun by or against Tenant, or an assignment be made by Tenant for the benefit of creditors, or a Receiver appointed for Tenant, then and in such case, the entire rent for the balance of said Term shall at once become due and payable as if by the terms of this Lease it were all payable in advance. In case of such assignment, bankruptcy proceedings,

appointment of a Receiver or of a sale on legal process of Tenant's goods, subject as hereinafter provided, Landlord shall have the right to demand and receive rent for the balance of the term which shall be first paid out of the proceeds of such assignment, bankruptcy or Receiver's proceedings or sale on legal process, any law, usage or custom to the contrary notwithstanding. Inc case of any event of default by Tenant under this Lease and if permitted by law, Tenant hereby authorizes any attorney, as attorney for Tenant, at the sole request of Landlord to sign as agreement for entering in any competent court:

(i) An amicable action and judgment in ejectment, or other process, against Tenant for possession of the leased Premises, and

(ii) An amicable action and confession of judgment, or other summary judgment process, for all accelerated rents and other charges, costs and reasonable attorney's fees for collection.

It is hereby understood and agreed that Tenant shall not be considered in default under Lease or as having breached any term, provision, condition, covenant or agreement of or under this Lease, except as to the payment of rent, unless and until Landlord shall have first given Tenant notice in writing by certified mail of such alleged default, breach or violation and Tenant has failed to correct or has not commenced to correct the same within a period of ten (10) days from receipt of such notice. All rights and remedies given to Landlord hereinafter including but not limited to the right to accelerate the rent, shall be ineffective and shall not be used or exercised by Landlord unless Tenant has failed to correct the alleged breach or violation within the aforesaid ten (10) day period.

It is further agreed that if the premises at any time be deserted or improperly closed, Landlord may enter by force, without liability to prosecution or action therefor and may distrain for rent and also sublet the Premises as Agent for Tenant for any expired portion of the Term and receive the rent therefor and apply it to this lease.

25. HOLDING OVER

If Tenant shall remain in possession of all or any part of the Premises after expiration of the term of this Lease, then the Tenant shall be deemed as a tenant of the Premises from month to month and subject to all of the terms and provisions hereof, except only as to the Term of this Lease.

26. TERMINATION

Tenant shall, on or before the last day of the Term hereby granted or any extended term, or upon the sooner termination of this Lease, peaceably and quietly leave, surrender and yield up

unto Landlord the leased Premises together with all alterations, additions and replacements thereon, free of subtenancies, broomclean and in good condition except for reasonable were and tear thereof, damage by the elements, fire, acts of God, insurrection, riot, invasion or acts of military power, waiving any and all laws now in force or which may be passed from time to time during the Term of this Lease which may be contrary to this provision.

27. SALES CLAUSE

It is understood and agreed that, in the event of a sale of the real estate of which the leased Premises are a part, this Lease shall, at the option of the Landlord, cease and terminate. Tenant agrees to give up quiet and peaceable possession upon ninety (90) days' written notice of such sale and desires of Landlord to terminate Lease due to such event.

28. NOTICES

Any and all notices, demand or communications required to be given hereunder shall be in writing and sent by Certified Mail: (2) if intended for landlord to Iversen Realty Co., P.O. Box 3611, Pittsburgh, Pa 15230-3611 and (b) if intended for Tenant to Mr. Andy Halapin, c/o Busch Co., 904 Mount Royal Boulevard, Pittsburgh, Pa 15223, or such other place as either Landlord or Tenant may designate.

29. SUCCESSORS and ASSIGNS

All rights, remedies, liabilities, covenants, conditions and agreements herein to or imposed upon either of the parties hereto shall inure to and be binding upon the successors and assigns of Landlord and Tenant insofar as this Lease and the terms created are assignable by the Term hereof.

30. ENTIRE AGREEMENT

This Lease contains all the agreements and conditions made between the parties hereto and may not be modified orally or in any other manner than by an agreement in writing, signed by all the parties hereto or their respective successor in interest.

31. APPLICABLE LAW

It is understood and agreed that this Lease shall be interpreted in accordance with the Laws of the Commonwealth of Pennsylvania and no presumption shall be deemed to exist in favor of or against either party hereto by virtue of the negotiation, drafting and execution of this Lease.

IN WITNESS WHEREOF, the parties hereto set their hands and seals on the day and year first above mentioned.

SEALED AND DELIVERED IN THE
PRESENCE OF:

LANDLORD

/s/ Alecia Mckee

/s/ Lorene Iversen (agent)

/s/ Alecia McKee

TENANT
/s/ Andrew Halapin

Exhibit 21

LIST OF SUBSIDIARIES

CECO Filters, Inc.
Compliance Systems International (subsidiary of CECO Filters, Inc.)
Air Purator Corporation (subsidiary of CECO Filters, Inc.)
U.S. Facilities Management Company, Inc. (subsidiary of CECO Filters, Inc.)
New Busch Co., Inc. (subsidiary of CECO Filters, Inc.)

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

YEAR	
	DEC-31-1997
	DEC-31-1997
	847,827
	634,150
	2,979,414
	0
	771,068
	5,882,048
	3,701,573
	1,754,091
	13,960,980
	5,233,292
	2,066,864
	0
	0
	81,070
	6,661,515
	13,960,980
	10,901,728
	14,530,974
	5,746,125
	14,555,228
	130,701
	0
	130,701
	(70,629)
	7,200
	(77,829)
	0
	0
	0
	(53,774)
	(.01)
	(.01)