U. S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003**

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

Commission File No. 0-7099

CECO ENVIRONMENTAL CORP.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

Securities registered under Section (g) of the Act:

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

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Issuer's Revenues for its most recent fiscal year: $68,965,000

Aggregate market value of voting stock held by non-affiliates of Registrant (based on the last sale price on June 30, 2003): $10,614,584

The number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 9,984,974 shares of common stock, par value $0.01 per share, as of March 10, 2004.

Documents Incorporated by Reference

The Exhibit Index incorporates several documents by reference as indicated therein.

PART I

Item 1. *Business*

General

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

Unless the context indicates otherwise, the terms "Company", "we", "us", and "our", as used herein refers to CECO Environmental Corp. (the Registrant) and its subsidiaries.

We market our products and services under the following trade names: "Kirk & Blum", "kbd/Technic", "CECO Filters", "Busch International", "CECO Abatement Systems", and "K&B Duct".

Beginning in fiscal year 1999 and continuing into 2004, we transitioned from a products-based company to a solutions-based provider. Several accomplishments that helped us with this transformation include:

- We made key operating management changes within our business.
- We implemented a target sales approach with "Centers of Excellence" industry teams to identify and capture profitable sales and cross-marketing opportunities throughout our organization.
- We put into action operating plans to help us realize synergies created after the acquisition of Kirk & Blum.
- We completed the consolidation of our administrative and finance functions to Cincinnati, Ohio.
- We sold the assets of Air Purator Corporation ("APC") and the assets of Busch Martec, as those divisions did not serve the vision for our future operations.
- We launched the CECO Abatement product line in May 2001 to leverage existing fabrication and installation resources for thermal oxidation technology by adding higher-level engineering design capabilities.
- We established the K&B Duct product line to complement an existing product line.
- We realigned marketing into a single centralized company-wide function.
- We placed the responsibility for resource management of our engineering and design personnel under a single manager.
- We continue to emphasize the recognized CECO brand names (Kirk & Blum, kbd/Technic, CECO Filters, Busch International, CECO Abatement Systems and K&B Duct) to align with "sales channels".
- We added CECO Filters India Pvt. Ltd. in February 2004 to penetrate the Asian market under the CECO Filters trade name.

The transition was initiated by the acquisition of Kirk & Blum and kbd/Technic on December 7, 1999, which fundamentally changed the size of our business and focus. The addition of Kirk & Blum, 89.2% of whose net sales arose from the fabrication and installation of industrial ventilation, dust, fume and mist control systems, added a new dimension to our product lines that broadened our coverage of air pollution control technology. In 1999, Kirk & Blum and kbd/Technic had combined revenue of $70.4 million (unaudited), while the revenue of CECO and its subsidiaries (other than Kirk & Blum and kbd/Technic) for that period was $17.5 million. Prior to December 1999, CECO Filters was the Company's primary operating subsidiary. Its primary business was acting as an equipment manufacturer and seller. Specifically, its major products were industrial air filters known as fiber bed mist eliminators.

Products and Services

As a result of the acquisition of the Kirk & Blum Manufacturing Company in December 1999, its facilities and personnel serve as the backbone to our operations due to the production capacity acquired and the depth and breadth of personnel employed.

We are recognized as a leading provider in the air pollution control industry. We focus on engineering, designing, building, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities as well as equipment that control emissions from such facilities. We market these turnkey pollution control services primarily under the Kirk & Blum trade name. In October 2002, Engineering News Record ranked Kirk & Blum as the largest specialty sheet metal contractor in the country in 2001. With a diversified base of more than 1,500 active customers, we provide services to a myriad of industries including aerospace, brick, cement, ceramics, metalworking, printing, paper, food, foundries, metal plating, woodworking, chemicals, tobacco, glass, automotive, and pharmaceuticals.

Increasingly stringent air quality standards and the need for improved industrial workplace environments are chief among the factors that drive our business. Some of the underlying federal legislation that affects air quality standards is the Clean Air Act of 1970 and the Occupational Safety and Health Act of 1970. The Environmental Protection Agency ("EPA") and Occupational Safety and Health Administrative Agency ("OSHA"), as well as other state and local agencies, administer air quality standards. Industrial air quality has been improving through EPA mandated Maximum Achievable Control Technology ("MACT") standards and OSHA established Threshold Limit Values ("TLV") for more than 1,000 industrial contaminants. Bio-terrorism threats have also increased awareness for improved industrial workplace air quality. Any of these factors, whether individually or collectively, tend to cause increases in industrial capital spending that are not directly impacted by general economic conditions, expansion or capacity increases. Favorable conditions in the economy generally lead to plant expansions and the construction of new industrial sites. Economic expansion provides us with the potential to increase and accelerate levels of growth. However, in a weak economy customers tend to (a) lengthen the time from their initial inquiry to the purchase order or (b) defer purchases.

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

Our operating framework has developed into a "hub and spoke" business model whereby executive management, finance, administrative and marketing staff serve as the hub and sales channels serve as spokes. This philosophy is used throughout our operations.

We have four principal product lines, which are marketed under the Kirk & Blum trade name, all evolving from the original air pollution systems business (contracting, fabricating, parts and clamp-together duct systems). The largest line, with seven strategic locations throughout the Midwest and Southeast United States, is air pollution control systems and industrial ventilation. The product lines primarily sold on a turnkey basis include oil mist collection, dust collection, industrial exhaust, chip collection, industrial baghouses, make-up air, as well as automotive spray booth systems, industrial and process piping, and other industrial sheet metal work. We provide a cost effective engineered solution to in-plant process problems in order to control airborne pollutants. Representative customers include General Electric, General Motors, Procter & Gamble, Ingersoll Milling Machine, Lafarge, Corning, RR Donnelley, Toyota, Matsushita, and Alcoa. North America is the principal market served. We have, at times, supplied equipment and engineering services in certain overseas markets.

We provide custom metal fabrication services at our Cincinnati, Ohio and Lexington, Kentucky locations. These facilities are used to fabricate parts, subassemblies, and customized products for air pollution and non-air pollution applications from sheet, plate, and structurals and perform the majority of the fabrication for CECO Filters, Busch International, and CECO Abatement. We have developed significant expertise in custom sheet metal fabrication. As a result, these facilities give us flexible production capacity to meet project schedules and cost targets in air pollution control projects while generating additional fabrication revenue in support of non-air

pollution control industries. Kirk & Blum is the custom fabricator of product components for many companies located in the Midwest choosing to outsource their manufacturing. Generally, we will market custom fabrication services under a long-term sales agreement. Representative customers include Siemens and General Electric.

We also market under the Kirk & Blum trade name component parts for industrial air systems to contractors, distributors and dealers throughout the United States. In 2001, we started the K&B Duct product line to provide a cost effective alternative to traditional duct sold under the Kirk & Blum trade name. Primary users for this product line are those that generate dry particulate such as furniture manufactures, metal fabrication, and cement and paper producers.

Our engineering and design services are also marketed under the kbd/Technic trade name to provide engineering services directly to customers related to air system testing and balancing, source emission testing, and industrial ventilation engineering. Representative customers include General Motors, Ford, Toyota, Quaker Oats, Nissan and Delphi.

Our filtering equipment is also marketed under the CECO Filters trade name directly to customers. The principal functions of the filters are (a) the removal of damaging mists and particles (e.g., 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. Major users are chemical and electronics industries, manufacturers of various acid, vegetable and animal based cooking oils, textile products, alkalies, chlorine, papers, asphalt and pharmaceutical products. In February 2004, we established CECO Filters India Pvt. Ltd. in Chennai, India to market filtering equipment under the CECO Filters trade name to extend our penetration into Asia.

We market under the Busch International trade name custom engineered air handling systems used to control fume and oil mist emissions. We also market a heat and transfer device under the JETSTAR trademark. This equipment is globally marketed to the steel and aluminum industries.

We added the CECO Abatement Systems trade name in 2001 to extend our penetration into the thermal oxidation market. We market systems that eliminate toxic emissions fumes and volatile organic compounds from large-scale industrial processes.

When we undertake large jobs, a working capital objective is to make these projects self-funding. We try to achieve this by (a) progress billing contracts, when possible, (b) utilizing extended payment terms from material suppliers, and (c) paying sub-contractors after payment from our customers, which is an industry practice. Our investment in net working capital is funded by cash flow from operations and by our revolving line of credit. Inventory remains relatively constant from year to year. Accordingly, changes in inventory do not constitute a significant part of our investment in working capital.

OTHER INFORMATION

Kirk & Blum Acquisition

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

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

In addition, as a condition to obtaining the Bank Facility, we placed $5 million of subordinated debt. The proceeds of the bank loans and the additional $5 million of subordinated debt were used to pay the purchase prices for Kirk & Blum and kbd/Technic, and to pay expenses incurred in connection with the acquisitions, to refinance existing indebtedness and for working capital purposes.

The $5 million subordinated debt that was provided to us in connection with the Kirk & Blum transaction included investments of $4 million by Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. ("Green Diamond"), $500,000 by ICS Trustee Services, Ltd. and $500,000 by Harvey Sandler. These investors were also issued warrants to purchase 1,000,000 shares of Common Stock in the aggregate (the "Subdebt Warrants") at a price of $2.25 per share, the fair market value of the shares at date of issuance. ICS Trustee Services, Ltd. and Harvey Sandler are not our affiliates. Green Diamond Oil Corp. is owned 50.1% by Icarus Investment Corp., a corporation owned 50% by Phillip DeZwirek, the Chairman of the Board of Directors and Chief Executive Officer of the Company and a major stockholder, and 50% by Jason Louis DeZwirek, Phillip DeZwirek's son, a director and Secretary of the Company and a major stockholder of the Company. The promissory notes, which were issued to evidence the subordinated debt, provide that they accrue interest at the rate of 12% per annum, payable semi-annually. Payments of interest are subject to the subordination agreement with the banks providing the financing referred to above.

Equity Transactions

In December 2001, the Subdebt Warrants were exercised for 1,000,000 shares, and we received gross proceeds of $2.3 million from such exercise.

On December 31, 2001, we completed a $2,120,000 equity raise consisting of the sale of 706,668 shares of our common stock, at a price of $3.00 per share, and the issuance of warrants ("Warrants") to purchase 353,334 shares of our common stock (collectively, with the 706,668 shares, the "Investor Shares") at an initial exercise price of $3.60 per share, to a group of accredited investors (the "Investors") led by Crestview Capital Fund, L.P., a Chicago-based private investment fund. We used these proceeds along with the proceeds received from the exercise of the Subdebt Warrants, to pay down the Bank Facility. As part of our contractual obligations to the Investors, we registered the Investor Shares on a Form S-1, which became effective on May 15, 2002. The shares that were issued upon exercise of the Subdebt Warrants and the 14,000 shares underlying warrants that were issued as a finder's fee in connection with the sale of shares to the Investors were also included in the Form S-1, for a total of 2,074,002 shares. On April 30, 2003 and May 2, 2003, we filed a Post-Effective Amendment on Form S-3 to Form S-1/A with respect to such shares. Under the terms of the Subscription Agreement, we are no longer required to keep the registration statement effective.

Under the Subscription Agreement CECO entered into with the Investors, we were required to issue to such Investors additional shares based on an earnings formula (as set forth in the Subscription Agreement executed in connection with the issuance of the Investor Shares) for fiscal year 2002. Based on the results of this formula, 382,237 additional shares were issued to the Investors in April 2003.

Asset Sales

In December 2001, we sold the fixed assets and inventory of Air Purator Corp. ("APC") and received notes totaling $475,000. The notes, which were due primarily in March 2002, were secured by the assets of APC. At December 31, 2001, we deferred the gain on sale of $250,000 until collection was reasonably assured. However, the purchaser defaulted on the loan, and we commenced foreclosure proceedings in May 2002. We subsequently sold the assets to the former general manager of APC on July 31, 2002 and recognized a gain on sale during the third and fourth quarters of 2002 totaling $250,000. The net assets and operations of APC were not material to our consolidated operations.

We sold the assets of Busch Martec during 2002 because those assets no longer served our vision for future operations. Busch Martec's assets are insignificant to the consolidated financial statements.

APC was engaged in the manufacture of non-woven specialty needled fiberglass fabrics and Busch MARTEC acted as a manufacturer's representative with manufacturers of air and fluid products. We no longer engage in those activities.

Due to our increased efficiencies and subsequent need for less space, we sold the property we owned in Conshohocken, Pennsylvania in May 2003 and entered into a lease for approximately half of the property with the purchaser. The net proceeds from the sale of the property were used to reduce our outstanding debt. We recognized net savings, as it was cost effective to sell the property and lease back half of the space.

Customers

No customer comprised 10% or more of our net revenues for 2003. We do not depend upon any one or few customers.

Suppliers

We purchase our angle iron and sheet plate products from a variety of sources. When possible, we secure these materials from steel mills. Other materials are purchased from a variety of steel service centers. We do not anticipate any shortages in the near future.

We purchase a majority of our fans from New York Blower and a majority of our louvers and dampers from American Warming.

We purchase chemical grade fiberglass as needed from Johns Manville Corporation, which we believe is the only domestic supplier of such fiberglass. However, there are foreign suppliers of chemical grade fiberglass, and, based on current conditions, we believe that we could obtain such material from foreign suppliers on acceptable terms.

We have a good relationship with all such suppliers and do not anticipate any difficulty in continuing to receive such items on terms acceptable to us. To the extent that our current suppliers are unable or unwilling to continue to supply us with materials, we believe that we would be able to obtain such materials from other suppliers on acceptable terms.

Backlog

Backlog represented by firm purchase orders from our customers was approximately $7.3 million and $14.6 million at the end of the fiscal years 2003 and 2002, respectively. 2002 backlog was completed in 2003. The 2003 backlog is expected to be completed in 2004.

Competition and Marketing

We believe that there are no direct national competitors nor any singly dominant companies in the industrial ventilation and air pollution control niche markets in which we participate. These markets are fragmented with numerous smaller and regional participants. As a result, competition varies widely by region and industry. However, sales of products and services under some of our trade names face competition with companies that have greater financial resources and that have more extensive marketing and advertising.

We sell and market our products and services with our own direct workforce in conjunction with outside sales representatives in North America, Asia, Europe and South America.

Government Regulations

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

Research and Development

During 2003, 2002, and 2001, costs expended in research and development have not been significant. Such costs are generally included as factors in determining pricing.

Employees

We had 427 full-time employees and 5 part-time employees as of December 31, 2003. The facilities acquired with the acquisition of Kirk & Blum are unionized except for selling, administrative and operating management personnel. None of our other employees are subject to a collective bargaining agreement. We consider our relationship with our employees to be satisfactory. Various union contracts expire from March 2005 to October 2008.

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

Intellectual Property

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

We purchased, among other assets, three patents from Busch Co. in 1997 that relate to the JET*STAR systems. The Patent and Trademark Office ("PTO") records do not currently reflect such transfer. We plan on attempting to obtain the proper documentation to file with the PTO. JET*STAR™ systems constituted $0.3 million of revenues in 2003.

We hold a US patent for our N-SERT® and X-SERT® prefilters and for our Cantenary Grid scrubber. We also hold a US patent for a fluoropolymer fiberbed for a mist eliminator, a US patent for a fluted filter, and a US patent for a multiple in-duct filter system. Such patents combined do not have significant value to our overall performance. We were assigned the patent to a multiple throat narrow gap venturi scrubber, which patent may have significant value. We plan to attempt to file the proper documentation with the PTO to reflect proper ownership. Current PTO records indicate that the party from which we obtained such patent owns such patent.

Affiliated Stock Purchase

In September 2002, Registrant purchased 31,536,440 shares of CECO Filters, Inc. ("Filters") in consideration for the cancellation of Filter's debt of $3,044,423 owed to CECO Group, Inc. ("Group") and $109,221 owed to Registrant. Registrant then immediately assigned such shares to Group. Group currently owns approximately 99% of the shares of Filters.

Financial Information about Geographic Areas

For 2003, 2002 and 2001, sales to customers outside the United States, including export sales, accounted for approximately 1%, 2% and 2%, respectively, of consolidated net sales. The largest portion of these sales was destined for Canada. Generally, sales are generally denominated in U.S. dollars. We do not currently maintain long-lived assets outside the United States.

RISK FACTORS

In addition to the other information in this Annual Report on Form 10-K, the factors listed below should be considered in evaluating our business and prospects. This Annual Report on Form 10-K contains a number of forward-looking statements that reflect our current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including those discussed below and elsewhere herein, that could cause actual results to differ materially from historical results or those anticipated. In this report, the words “anticipates,” “believes,” “expects,” “intends,” “future” and similar expressions identify forward-looking statements. Readers are cautioned to consider the specific factors described below and not to place undue reliance on the forward-looking statements contained herein, which speak only as of the date of this Annual Report on Form 10-K. We assume no obligation to publicly update any forward-looking statements.

Operating at a Loss

We have incurred net losses for our past 5 fiscal years. There are no assurances that we will achieve or sustain profitability.

Competition

The industries in which we compete are all highly competitive. We compete against a number of local, regional and national contractors and manufacturers in each of our business segments, many of which have been in existence longer than us and some of which have substantially greater financial resources than we do. We believe that any competition from new entrants that are large corporations may be able to compete with the Company on the basis of price and as a result may have a material adverse affect on the results of our operations. In addition, there can be no assurance that other companies will not develop new or enhanced products that are either more effective than ours or would render our products non-competitive or obsolete.

Dependence on Key Personnel

We are highly dependent on the experience of our management in the continuing development of its operations. The loss of the services of certain of these individuals, particularly Richard J. Blum, President of CECO, would have a material adverse effect on our business. Our future success will depend in part on our ability to attract and retain qualified personnel to manage our development and future growth. There can be no assurance that it will be successful in attracting and retaining such personnel. The failure to recruit additional key personnel could have a material adverse effect on our business, financial condition and results of operations.

Continued Control by Management

As of the date of this Annual Report on Form 10-K, management of the Company beneficially owns approximately 55% of the Company’s outstanding common stock, assuming the exercise of currently exercisable warrants and options held by management. Our stockholders do not have the right to cumulative voting in the election of directors. Accordingly, present stockholders will be in a position to exert control over our business and operations, including the election of our directors.

Dependence Upon Third-Party Suppliers

Although we are not dependent on any one supplier, we are dependent on the ability of our third-party suppliers to supply our raw materials, as well as certain specific component parts. We purchase all of our chemical grade fiberglass from one domestic supplier, which we believe is the only domestic supplier of such fiberglass, and certain specialty items from only two domestic suppliers. These items also can be purchased from foreign suppliers. Failure by our third-party suppliers to meet our requirements could have a material adverse

effect on us. There can be no assurance that our third-party suppliers will dedicate sufficient resources to meet our scheduled delivery requirements or that our suppliers will have sufficient resources to satisfy our requirements during any period of sustained demand. Failure of manufacturers or suppliers to supply, or delays in supplying, our raw materials or certain components, or allocations in the supply of certain high demand raw components could materially adversely affect our operations and ability to meet our own delivery schedules on a timely and competitive basis.

Patents

We hold various patents and licenses relating to certain of our products. There can be no assurance as to the breadth or degree of protection that existing or future patents, if any, may afford us, that our patents will be upheld, if challenged, or that competitors will not develop similar or superior methods or products outside the protection of any patent issued to us. Although we believe that our products do not and will not infringe patents or violate the proprietary rights of others, it is possible that our existing patent rights may not be valid or that infringement of existing or future patents or proprietary rights may occur. In the event our products infringe patents or proprietary rights of others, we may be required to modify the design of our products or obtain a license for certain technology. There can be no assurance that we will be able to do so in a timely manner, upon acceptable terms and conditions, or at all. Failure to do any of the foregoing could have a material adverse effect upon our business. In addition, there can be no assurance that we will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violations action which may be brought against us. Moreover, if our products infringe patents or proprietary rights of others, we could, under certain circumstances, become liable for damages, which also could have a material adverse effect on our business.

New Product Development

The air pollution control and filtration industry is characterized by ongoing technological developments and changing customer requirements. As a result, our success and continued growth depend, in part, on our ability in a timely manner to develop or acquire rights to, and successfully introduce into the marketplace, enhancements of existing products or new products that incorporate technological advances, meet customer requirements and respond to products developed by our competition. There can be no assurance that we will be successful in developing or acquiring such rights to products on a timely basis or that such products will adequately address the changing needs of the marketplace.

Technological and Regulatory Change

The air pollution control and filtration industry is characterized by changing technology, competitively imposed process standards and regulatory requirements, each of which influences the demand for our products and services. Changes in legislative, regulatory or industrial requirements may render certain of our filtration products and processes obsolete. Acceptance of new products may also be affected by the adoption of new government regulations requiring stricter standards. Our ability to anticipate changes in technology and regulatory standards and to develop and introduce new and enhanced products successfully on a timely basis will be a significant factor in our ability to grow and to remain competitive. There can be no assurance that we will be able to achieve the technological advances that may be necessary for us to remain competitive or that certain of our products will not become obsolete.

Leverage

We are highly leveraged. We currently have loan facilities, including a term loan and line of credit, with PNC Bank, National Association; Bank One, N.A.; and Fifth Third Bank. The terms of such loan facilities have been revised through eight separate amendments in order to alter some of the financial covenants made by us to prevent CECO from being in default of such covenants.

Our Common Stock Has Been Relatively Thinly Traded and We Cannot Predict the Extent to Which a Trading Market Will Develop

Our common stock trades on the Nasdaq SmallCap Market. Our common stock is thinly traded compared to larger, more widely known companies. Thinly traded common stock can be more volatile than common stock trading in an active public market.

Future Sales by Our Stockholders May Adversely Affect Our Stock Price and Our Ability to Raise Funds in New Stock Offerings

We registered up to 2,074,002 shares of common stock which the holders intend to sell in the public market. To our knowledge, approximately 302,221 shares of common stock have been sold under the registration statement through March 15, 2004. Additional sales may cause our stock price to decline. Sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that our management deems acceptable or at all. In addition, Phillip DeZwirek has warrants to purchase 2,250,000 shares of CECO common stock, which shares we are obligated to register upon demand. Should Mr. DeZwirek elect to sell such shares, such sales may cause our stock price to decline.

Our Financial Performance Is Sensitive to Changes in Overall Economic Conditions

A general slowdown in the United States economy may adversely affect the spending of our customers, which would likely result in lower net sales than expected on a quarterly or annual basis. Future economic conditions, such as business conditions, fuel and energy costs, interest rates, and tax rates, could also adversely affect our business by reducing customer spending.

International War and Possibility of Acts of Terrorism Could Adversely Impact Us

The involvement of the United States in the conflict in the Middle East or elsewhere or a significant act of terrorism on U.S. soil or elsewhere could have an adverse impact on us by, among other things, disrupting our information or distribution systems, causing dramatic increases in fuel prices thereby increasing the costs of doing business, or impeding the flow of imports or domestic products to us.

Item 2. ***Properties***

Our principal operating offices are headquartered in Cincinnati, Ohio at a 236,178 square foot facility that we own.

We have an executive office in Toronto, Canada, at facilities maintained by affiliates of our Chief Executive Officer and Chairman of the Board and Secretary, who work at the Toronto office. We reimburse such affiliate $5,000 per month for the use of the space and other office expenses.

We own a 33,000 square foot facility in Indianapolis, Indiana, a 35,000 square foot facility in Louisville, Kentucky and a 33,000 square foot facility in Lexington, Kentucky.

We lease the following facilities:

Location	Square Footage	Annual Rent	Expiration
Columbia, Tennessee	28,920	$ 74,240	August 2005
Greensboro, North Carolina	30,000	$ 120,000	August 2006
Defiance, Ohio	10,000	$ 27,400	July 2004
Pittsburgh, Pennsylvania	4,000	$ 48,000	May 2006
Chicago, Illinois	1,250	$ 20,000	January 2006
Conshohocken, Pennsylvania	16,000	$ 88,000	May 2006
Canton, Mississippi	7,500	$ 16,800	October 2004

All properties owned are subject to collateral mortgages to secure the amounts owed under the Bank Facility.

We consider the properties adequate for their respective purposes.

Due to our increased efficiencies and subsequent need for less space, we sold the property we owned in Conshohocken, Pennsylvania in May 2003. We then entered into a lease for approximately half of the property's space with the purchaser. The net proceeds were used to reduce our outstanding debt.

In November 2003, we accepted an offer to sell our Cincinnati, Ohio property with a contemplated closing date of May 1, 2004, subject to various contingencies. If we consummate the sale, the net proceeds could be used to reduce the amount of credit facilities. A February 2003 agreement to sell our Cincinnati property was terminated (with the same party) in September 2003 due to the potential purchaser failing to close in accordance with the terms of the agreement.

Item 3. ***Legal Proceedings***

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

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

Our annual meeting of shareholders was held on June 11, 2003. At the meeting, directors Phillip DeZwirek, Jason Louis DeZwirek, Richard Blum, Josephine Grivas, Melvin Lazar and Donald Wright were elected, and the appointment of Deloitte & Touche LLP as our accountants was ratified. The votes for the appointment of Deloitte & Touche LLP were 6,790,873 with 13,640 against and 10,176 abstentions.

The votes for and against the directors were as follows. There were no abstentions:

	For	Against
Phillip DeZwirek	6,760,447	54,242
Jason Louis DeZwirek	6,370,463	444,226
Richard Blum	6,760,447	54,242
Josephine Grivas	6,370,463	444,226
Melvin F. Lazar	6,760,447	54,242
Donald A. Wright	6,760,447	54,242

PART II

Item 5. ***Market for the Registrant's Common Equity and Related Stockholder Matters***

(a) Our common stock is traded in the over-the-counter market and is quoted in the Nasdaq SmallCap Market automated quotation system under the symbol CECE. The following table sets forth the range of bid prices for our common stock 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.

CECO Common Stock Bids			CECO Common Stock Bids			CECO Common Stock Bids		
2002	High	Low	2003	High	Low	2004	High	Low
1st Quarter	$3.95	$3.02	1st Quarter	$1.95	$1.65	1st Quarter	$2.01	$1.65
2nd Quarter	$3.95	$2.25	2nd Quarter	$2.06	$1.55	(through March 12, 2004)		
3rd Quarter	$2.40	$1.75	3rd Quarter	$2.10	$1.59			
4th Quarter	$2.18	$1.75	4th Quarter	$2.00	$1.50			

(b) The approximate number of beneficial holders of our common stock as of March 14, 2004 was 1,400.

(c) We paid no dividends during the fiscal years ended December 31, 2003 or 2002. We do not expect to pay dividends in the foreseeable future. We are party to various loan documents, which prevent us from paying any dividends.

(d) Information relating to securities authorized for issuance under our equity compensation plans is set forth in Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” below in this Annual Report on Form 10-K.

Item 6. ***Selected Financial Data***

The following table sets forth our selected financial information. The financial information for the years ended December 31, 2003, 2002 and 2001 has been derived from our audited consolidated financial statements included elsewhere in this Annual Report. The financial information for the year ended December 31, 2000 and as of December 31, 1999 has been derived from our audited consolidated financial statements not included in this Annual Report. This historical selected financial information may not be indicative of our future performance and should be read in conjunction with the information contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and the related notes included elsewhere in this Annual Report.

	Year Ended December 31,				
	2003	2002(1)	2001(2)	2000(3)	1999
	(in thousands, except per share amount)				
Statement of operations information:					
Net sales	$68,965	$78,877	$90,994	$89,817	$22,414
Gross profit, excluding depreciation and amortization	13,817	15,892	18,532	18,097	8,387
Depreciation and amortization	1,581	1,789	2,320	2,154	729
(Loss) from continuing operations	(166)	(123)	(264)	(690)	(434)
Discontinued operations	—	—	—	—	(509)
Net (loss)	(166)	(123)	(264)	(690)	(943)
Basic and diluted net (loss) earnings per share from continuing operations(5)	(.02)	(.01)	(.03)	(.08)	(.05)
Basic and diluted net (loss) earnings per share(5)	(.02)	(.01)	(.03)	(.08)	(.11)
Weighted average shares outstanding (in thousands)					
Basic	9,852	9,582	7,899	8,195	8,485
Diluted	9,852	9,582	7,899	8,195	8,485
Supplemental financial data:					
Ratio of earnings to fixed charges(6)	n/a	n/a	n/a	n/a	n/a
Deficiency(6)	$ (228)	$ (339)	$ (141)	$ (1,032)	$ (281)
Cash flows from operating activities	1,593	3,701	4,382	2,630	(846)

	At December 31,				
	2003	2002(1)	2001(2)	2000(3)	1999
	(dollars in thousands)				
Balance sheet information:					
Working capital	$ 5,678	$ 6,187	$ 8,063	$10,690	$14,504
Total assets	43,123	46,677	53,030	54,954	56,448
Short-term debt	2,094	2,120	2,826	3,776	2,788
Long-term debt	13,388	16,202	18,588	26,101	28,290
Stockholders equity(4)	9,236	9,411	9,821	7,008	9,038

(1) Effective January 1, 2002, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets”. As a result, we ceased amortization of goodwill and indefinite life intangibles, effective January 1, 2002, that totaled $476,000 in fiscal year 2001.

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

(3) During fiscal 2000, depreciation and goodwill increased by $600,000 due to the acquisition of Kirk & Blum and kbd/Technic, whose results of operations are included with their respective dates of acquisition.

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

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

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

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

Operations Overview

We operate as a provider of air-pollution control products and services marketed under the "Kirk & Blum", "CECO Filters", "Busch International", "CECO Abatement Systems", "kbd/Technic" and "K&B Duct" trade names. Our business is focused on engineering, designing, and building equipment, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities as well as equipment that controls emissions from such facilities. We have a diversified base of more than 1,500 active customers among a myriad of industries including aerospace, brick, cement, ceramics, metalworking, printing, paper, food, foundries, metal plating, woodworking, chemicals, tobacco, glass, automotive, and pharmaceuticals. Therefore, our business is not concentrated in a single industry or customer.

We operate under a "hub and spoke" business model in which executive management, finance, administrative and marketing staff serves as the hub while the sales channels serve as spokes. We use this model throughout our operations. This has provided us with certain efficiencies over a more decentralized model.

We have expanded our business by adding CECO Abatement Systems and K&B Duct while divesting of the operating assets of Air Purator Corporation in 2002 and Busch Martec in 2002 (neither were strategically important to us). However, our sales have been adversely impacted by the economic downturn especially in the capital goods segment. As a result, we have made reductions in our operating cost structure to help mitigate the impact.

Much of our business is driven by various regulatory standards and guidelines governing air quality in and outside factories. Favorable conditions in the economy generally lead to plant expansions and construction of new industrial sites. Economic expansion provides us with the potential to increase and accelerate levels of growth. However, as we have seen in the past two years, in a weak economy customers tend to lengthen the time between inquiry and order or may defer purchases.

We have made significant strides in reducing our leverage through cash generated by operations and asset sales, which has reduced our debt carrying costs. We ended 2003 with senior debt of $10.0 million at December 31, 2003 compared to $14.3 million at December 31, 2002 and $17.7 million at December 31, 2001.

Results of Operations

Our consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001 reflect our operations consolidated with the operations of our subsidiaries.

2003 vs. 2002

	For the year ended December 31,	
($'s in millions)	**2003**	**2002**
Sales	$ 68.9	$ 78.9
Cost of sales	55.1	63.0
Gross profit (excluding depreciation)	$ 13.8	$ 15.9
Percent of sales	20.0%	20.2%
Selling and administrative expenses	$ 10.4	$ 11.9
Percent of sales	15.1%	15.1%
Operating income	$ 1.8	$ 2.2
Percent of sales	2.6%	2.8%

Consolidated sales were $68.9 million, a decrease of $10.0 million compared to 2002. Our small order business remained relatively constant with 2002. In 2003, these orders totaled $24.8 million compared to $26.7 million in 2002. These orders came from our large base of customers that are generally repeat buyers for replacement products, for service work or for custom fabrication work. In 2003, the individual larger contracts were down because of the continuing weakness in the U.S. economy. Additionally, 2002 sales were higher resulting from the following: a) several large projects included in our December 31, 2001 backlog that were completed in 2002 (including work performed for ethanol processing facilities and a specialty textile manufacturer), and b) sales generated by large orders booked in 2002 (including work performed for a large testing facility, a cement manufacturing facility and a major automotive manufacturer). Net sales during the year ended December 31, 2002 included $550,000 revenue generated from operations divested in 2002.

Orders booked in 2003 were $61.0 million compared with $75.0 million in 2002. The decline in bookings was due to the weakness in the economy coupled with several large orders booked in 2002 that were not replaced with comparably sized orders in 2003 (including orders booked for a rockwool insulation manufacturing plant, a large testing facility, a cement manufacturing facility and for a major automotive manufacturer). We have experienced an increased level of customer inquiry and quoting activities in the later half of 2003 relative to the first half of 2003. This may be partially attributable to a perceived improvement in the economy by our customers, which could result in increased air-quality related capital spending. This favorable trend could lead to an increase in our future sales.

Gross profit excluding depreciation was $13.8 million in 2003 compared with $15.9 million in 2002. Gross profit, as a percentage of sales, was 20.0% in 2003 compared to 20.2% in 2002. The slight decline was due to our product mix and higher margins realized in our contracting operations coupled with lower factory overhead costs. We managed our fixed overhead costs to help offset some of the lost gross profit from reduced sales in a highly competitive market in 2003. As a result, gross margin was relatively stable in 2003 compared to 2002.

Selling and administrative expenses decreased by $1.5 million to $10.4 million in 2003. Selling and administrative expenses, as a percentage of revenues for 2003 were 15.1% compared to 15.1% in 2002. In light of the lower revenue in 2002 and weakness in the economy, we implemented cost reduction initiatives in May 2002, September 2002 and May 2003, which generated an annualized operating cost savings of approximately $2,800,000. These cost savings, which are primarily due to a reduction in our workforce, and our cost containment efforts, were the principal reasons for the decrease in selling and administrative expenses.

Depreciation and amortization decreased $0.2 million to $1.6 million in year ended December 31, 2003.

Operating income was $1,834,000 in 2003 and $2,201,000 in 2002. The impact on operating income from the lower sales was significantly lessened by our operating expense reductions. We reduced selling and administrative expenses by $1,500,000 principally due to cost reduction programs implemented in 2002 and 2003. Additionally, depreciation and amortization expense was lower by $208,000 resulting from our initiatives to control capital expenditures. These expense reductions and cost containment initiatives, as well as lower factory overhead spending, helped to mitigate the reduction in operating income due to lower sales.

Other income for the year ended December 31, 2003 was $0.2 million compared with income of $0.2 million during the same period of 2002. The other income for the year ended December 31, 2003 is the result of the gain recognized from the sale and leaseback of our Conshohocken, Pennsylvania property. A deferred gain of $200,000 will be recognized over the ensuing three-year leaseback period. The other income during the year ended December 31, 2002 is the result of a fair market value adjustment to a liability recorded in connection with detachable stock warrants to purchase 353,334 shares of common stock at an initial exercise price of $3.60 per share. These warrants were issued along with the Company’s stock issuance of 706,668 shares of common stock on December 31, 2001 to a group of private investors. This liability is accounted for at fair market value and adjustments in future quarters could result in an increase to the liability and a corresponding charge to income.

Interest expense decreased $0.5 million to $2.3 million during 2003 compared to the same period of 2002. The decrease is due to lower debt outstanding during the year partially offset by higher interest rates.

Federal and state income tax benefit was $0.1 million during 2003 compared with a tax benefit of $0.2 million for the same period in 2002. The effective income tax rate for 2003 was 27.2% compared with 64% in the same period of 2002. The effective tax rate during 2003 was favorably affected by state tax benefits and exports sales and negatively affected by certain permanent differences including non-deductible interest expense.

Net loss was ($166,000) in 2003 and ($123,000) in 2002. The impact on net loss from lower operating income was partially offset by reduced tax-effected interest expense. As a result, we increased our net loss in 2003 by $43,000.

2002 vs. 2001

($'s in millions)	For the year ended December 31, 2002	2001
Sales	$78.9	$91.0
Cost of sales	63.0	72.5
Gross profit (excluding depreciation)	$15.9	$18.5
Percent of sales	20.2%	20.3%
Selling and administrative expenses	$11.9	$13.2
Percent of sales	15.1%	14.5%
Operating income	$ 2.2	$ 3.0
Percent of sales	2.8%	3.3%

Consolidated net sales decreased 13.3%, or $12.1 million to $78.9 million from 2001 to 2002. Sales were down mainly because of a) the weakness in the industrial segment of the U.S. economy, b) divestitures of two non-core businesses, Air Purator Corporation and Busch Martec that amounted to $2.0 million of decreased sales, and c) the abandonment of our expansion into the highly engineered specialty piping for automotive paint facilities started in 2001, which amounted to $3.5 million of decreased sales.

One of our targeted growth areas, thermal oxidation technology, sold under the CECO Abatement trade name, had a strong first full year of operations, by generating over $5.0 million of orders from alternative energy providers. Sales of our fiberbed mist eliminator technology, continued to penetrate further into automotive component manufacturers.

We began 2002 with a strong backlog of $18.6 million. Orders booked in 2002 were $75.0 million compared with $96.0 million in 2001. The decline resulted primarily from a reduction in large orders from automotive manufacturers and from the metals industries. However, smaller orders from customers who represent a cross section of industrial customers in the United States also decreased.

In December 2001, we sold the fixed assets and inventory of Air Purator Corp. ("APC") and received notes totaling $475,000. The notes, which were due primarily in March 2002, were secured by the assets of APC. At December 31, 2001, we deferred the gain on sale of $250,000 until collection was reasonably assured. However, the purchaser defaulted on the loan, and we commenced foreclosure proceedings in May 2002. We subsequently sold the assets to the former general manager of APC on July 31, 2002 and recognized a gain on sale during the third and fourth quarters of 2002 totaling $250,000. The net assets and operations of APC were not material to our consolidated operations. We also sold the assets of Busch Martec during 2002 because those assets no longer served our vision for future operations. Busch Martec's assets are insignificant to the consolidated financial statements.

Gross profit excluding depreciation was $15.9 million in 2002 compared with $18.5 million in 2001. Gross profit as a percentage of sales was 20.2% in 2002 compared with 20.3% in 2001. Even though we (a) increased margins in 2002 on turnkey projects through improved project management and (b) reduced factory overhead in 2002, the decline in sales caused a net decrease in margin. Gross profit in 2002 also includes the favorable impact of a recovery of a claim from a 2001 contract and the impact from the sale of APC operating assets.

Selling and administrative expenses decreased by $1.3 million to $11.9 million in 2002. Selling and administrative expenses, as a percentage of revenues for 2002 were 15.1% compared to 14.5% in 2001. The decrease is due to cost control and reductions in our workforce. We reduced our workforce in May 2002 and again in September 2002 reflecting the consolidation of certain functions, efficiencies and lower sales volume. On an annualized basis, the full impact on cost control initiatives is expected to result in a savings of approximately $2.0 million, which began to be realized during the third quarter of 2002. The 2001 period included certain non-recurring adjustments of $370,000 related to a customer bankruptcy and other contingencies, which reduced selling and administrative expenses.

Depreciation and amortization decreased $0.5 million to $1.8 million in the year ended December 31, 2002 primarily resulting from the implementation of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that ratable amortization of goodwill and intangible assets with indefinite lives be replaced with annual tests for impairment and that intangible assets with finite lives should continue to be amortized over their useful lives.

Operating income was $2,201,000 in 2002 and $3,013,000 in 2001. The impact on operating income from the lower sales was lessened by our operating expense reductions and cessation of amortization on goodwill and indefinite life intangibles. We reduced selling and administrative expenses by $1,297,000 principally due to cost reduction programs implemented in 2002. The decrease would have been $370,000 higher had it not been for non-recurring adjustments relating to a customer bankruptcy of $370,000 and other contingencies, which reduced selling and administrative expenses in 2001. Additionally, depreciation and amortization expense was lower by $531,000 primarily due to the cessation of amortization discussed above. These expense reductions and lower factory overhead spending helped to mitigate some of the reduction in gross profit due to lower sales.

Other income for the year ended December 31, 2002 was $0.2 million compared with income of $0.4 million during the same period of 2001. The other income in 2002 is the result of a fair market value adjustment during the second quarter to a liability recorded in connection with the issuance of warrants. Warrants were issued along with our issuance of 706,668 shares of common stock on December 31, 2001 to certain of our investors. This liability is accounted for at fair market value and adjustments in future quarters could result in an increase to the liability and a corresponding charge in income.

Interest expense decreased $0.8 million to $2.7 million during 2002 compared to the same period of 2001. The decrease is principally due to lower borrowing levels and decreased rates under the bank credit facility.

Federal and state income tax benefit was $0.2 million during 2002 compared with a tax provision of $0.1 million for the same period in 2001. The effective income tax rate for 2002 was 64% compared with 98% in the same period of 2001. The effective tax rate during 2002 is affected by state tax benefits and by certain permanent differences including non-deductible interest expense. The effective income tax rate during 2001 was affected by non-deductible goodwill amortization and interest expense.

Net loss was ($123,000) in 2002 and ($264,000) in 2001. The impact on net loss from lower operating income was partially offset by reduced interest expense and an increase from income tax benefits. As a result, we reduced our net loss in 2002 by $141,000.

Liquidity and Capital Resources

At December 31, 2003 and December 31, 2002, cash and cash equivalents totaled $136,000 and $194,000, respectively. Generally, we do not carry significant cash and cash equivalent balances because excess amounts are used to pay down our revolving line of credit.

Total bank and related debt as of December 31, 2003 was $9,957,000 as compared to $14,284,000 at December 31, 2002, a decrease of $4,327,000, due to net payments under the bank credit facilities. The cash that we used to pay down our debt came from our Conshohocken property transaction (discussed below), subordinated debt raised (discussed below) and the balance came from cash generated by operating activities.

Unused credit availability under our revolving line of credit at December 31, 2003 was $4,325,000. The bank credit facility was amended in November 2003 by extending the maturities of the revolving line of credit and the final payment due under the term loan to January 2005. No extinguishment loss was recognized as a result of this amendment. The amendment also reduced minimum coverage requirements under several financial covenants through December 31, 2004. We opted to amend the existing agreement rather than refinance the entire credit facility as discussed in the second quarter of 2003 because of current market conditions. However, we will continue to monitor such market conditions and will seek refinancing alternatives in future periods. On September 30, 2003, $1,200,000 of subordinated debt was raised from a related party with a maturity of April 30, 2005 and interest rate of 6% per annum. This debt is subordinated to the bank credit facility and the subordinated debt originally issued in December 1999. The entire principal balance of this obligation will be due upon maturity. Proceeds were used to reduce the revolving line of credit.

Overview of Cash Flows and Liquidity

	For the year ended December 31,		
($'s in thousands)	**2003**	**2002**	**2001**
Total operating cash flow	$ 1,593	$ 3,701	$ 4,382
Purchases of property and equipment	$ (112)	$ (240)	$ (793)
Divestiture of businesses and other	—	470	—
Proceeds from sale of property	1,568	—	—
Net cash provided (used) in investing activities	$ 1,456	$ 230	$ (793)
Proceeds from issuance of common stock and detachable warrants	$ 20	$ 9	$ 4,377
Stock issuance expense	—	(443)	—
Repayments of borrowings, net	(4,327)	(3,380)	(8,752)
Proceeds from subordinated notes	1,200	—	—
Other uses	—	24	175
Net cash used in financing activities	(3,107)	(3,790)	(4,200)
Net increase (decrease)	$ (58)	$ 141	$ (611)

In 2003, $1,593,000 was generated from operating activities. This follows two years of higher amounts of cash generation, which were mainly due to increased sales volumes and reductions in working capital during 2002 and 2001. In 2003, cash provided was impacted by our net loss adjusted for non-cash items and lessened working capital demands from lower sales. We generated additional cash through a decrease in accounts receivable of $639,000 that was due to lower sales and offset by slower turnover of our accounts receivable. A reduction in accounts payable and accrued expenses resulting from reduced purchases on lower sales volume used cash of $456,000. The other working capital account that generated cash was inventory. Other working capital accounts that used cash were prepaid expenses and other current assets, billings in excess of costs and estimated earnings and costs and estimated earnings in excess of billings on uncompleted contracts. Our net investment in working capital (excluding cash and cash equivalents and current portion of debt) at December 31, 2003 was $7,636,000 as compared to $8,113,000 at December 31, 2002. Looking forward, we will continue to manage our net investment in working capital. We believe that our working capital needs will tend to change at a lower rate than the change in sales due to the progress billing practices on major contracts.

Cash provided by operating activities in 2002 was $3,701,000. Cash provided was impacted by net loss adjusted for non-cash items, lessened working capital demands from lower sales and improved turnover in accounts receivable. Major changes in working capital that provided cash included: accounts receivable- $4,963,000, costs and estimated earnings in excess of billings—$285,000, inventory—$102,000. Major changes in working capital that used cash included prepaid expenses and other current assets – ($1,006,000), accounts payable and accrued expenses – ($1,040,000) and billings in excess of costs and estimated earnings on uncompleted contracts – ($943,000).

Net cash used in investing activities related to the acquisition of capital expenditures for property and equipment was $112,000 for 2003 compared with $240,000 for the same period in 2002. We received cash proceeds of approximately $1,600,000 from the sale of our Conshohocken property (as discussed in the following paragraph). We are managing our capital expenditures in light of the current level of sales. Should sales increase in 2004, we anticipate increased capital expenditure spending. Additional capital expenditures may be incurred related to the replacement facilities subject to the successful completion of the sale of our Cincinnati property.

On May 7, 2003, we received approximately $1,600,000 in cash proceeds from the sale and leaseback of our Conshohocken, Pennsylvania property. Approximately, $700,000 was used to reduce the revolving line of credit and the balance was used to reduce term debt. In November 2003, we accepted an offer to sell our Cincinnati, Ohio property with a contemplated closing date of May 1, 2004 subject to various contingencies. If we consummate the sale, the net proceeds will reduce the amount of the credit facilities. A February 2003 agreement to sell our Cincinnati property was terminated (with the same party) in September 2003 due to the potential purchaser failing to close in accordance with the terms of the agreement.

Financing activities used cash of $3,107,000 during 2003 compared with cash used of $3,790,000 during the same period of 2002. Current year financing activities included net payments of $1,198,000 on our revolving line of credit and payments of $3,129,000 on our term loan. In addition, we raised $1,200,000 under a new subordinated debt obligation discussed earlier.

In the fourth quarter of 2001, we received gross proceeds of $2,120,000 and issued 706,668 shares of common stock to a group of accredited investors. Under the subscription agreement to these investors, we issued an additional 382,237 shares during April 2003 of our common stock based on an earnings formula computed from fiscal year 2002 results (as set forth in the subscription agreement).

Dividends

We did not pay any dividends during the years ended December 31, 2003 and 2002 and do not expect to pay any in the foreseeable future as we are party to various loan documents that prevent us from paying such dividends.

Debt Covenants

The Company’s credit facilities contain financial covenants requiring compliance including at December 31, 2003 and each quarter through December 31, 2004: maximum leverage of 3.2 to 1, minimum fixed charge coverage ratio of 1 to 1 and minimum interest coverage ratio of 2.1 to 1. As of December 31, 2003, we were in compliance with these financial covenants. Based on our 2004 projections, we anticipate that we will remain in compliance with such covenants. However, any adverse changes in actual results from projections may place us at risk of not being able to comply with all of the covenants of the Credit Agreement. In the event we cannot comply with the terms of the Credit Agreement as currently written, it would be necessary for us obtain a waiver or renegotiate our loan covenants, and there can be no assurance that such negotiations will be successful.

Employee Benefit Obligations

Based on the assumptions used to value other postretirement obligations, life insurance benefits and retiree healthcare benefits, in the fourth quarter of 2003, cash payments for these benefits are expected to be in the range of $335,000—$360,000 in each of the next 5 years. Based on current assumptions, estimated contributions of $854,000 may be required in 2004 for the pension plan and $86,000 for the retiree healthcare plan. The amount and timing of required contributions to the pension trust depends on future investment performance of the pension funds and interest rate movements, among other things and, accordingly, we cannot reasonably estimate actual required payments. Currently, our pension fund is under-funded. As a result, absent major increases in long-term interest rates, above average returns on pension assets and/or changes in legislated funding requirements, we will be required to make contributions to our pension trust of varying amounts in the long-term.

Contractual Obligations and Other Commercial Commitments

The following table lists our contractual cash obligation as of December 31, 2003 (in thousands of dollars).

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations (a)	$ 9,957	$ 2,094	$ 7,863	$ —	$ —
Subordinated debt (b)	5,525	—	5,525	—	—
Operating lease obligations (c)	1,213	571	642	—	—
Purchase obligations (d)	1,211	1,211	—	—	—
	$ 17,906	$ 3,876	$ 14,030	$ —	$ —

(a) As described in Note 9 to the Consolidated Financial Statements.
(b) As described in Note 10 to the Consolidated Financial Statements.
(c) Primarily for as described in Note 13 to the Consolidated Financial Statements.
(d) Primarily consists of purchase obligations for various costs associated with uncompleted sales contracts.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We believe that, of our significant accounting policies, the following accounting policies involve a higher degree of judgments, estimates, and complexity.

Revenue Recognition

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

Contract costs include direct material, labor costs, and those indirect costs related to contract performance, such as indirect labor, supplies, and other overhead expenses. Selling and administrative expenses 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 to 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. We provided for estimated losses on uncompleted contracts of $0 and $123,000 at December 31, 2003 and 2002 respectively.

Inventory Costing

The labor content of work-in-process and finished products and substantially all inventories of steel at our Cincinnati Facility (approximately 69% and 70% of total inventories at December 31, 2003 and 2002, respectively) are valued at the lower of cost or market using the last-in, first-out (LIFO) method. The LIFO method allocates the most recent costs to cost of products sold and, therefore, recognizes into operating results fluctuations in raw material, energy and other inventoriable costs more quickly than other methods. All other inventories are valued at the lower of cost or market, using the first-in, first-out (FIFO) method. The LIFO method of inventory valuation for all classes of inventory approximated the FIFO value at December 31, 2003 and 2002.

Impairment of Long-Lived Assets, including Goodwill

We review the carrying value of our long-lived assets held for use and assets to be disposed of. For all assets excluding goodwill and intangible assets with indefinite lives, the carrying value of a long-lived asset is considered impaired if the sum of the undiscounted cash flows is less than the carrying value of the asset. If this occurs, an impairment charge is recorded for the amount by which the carrying value of the long-lived assets exceeds its fair value. Effective January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets". Under this new accounting standard, we will no longer amortize our goodwill and intangible assets with an indefinite life and will be required to complete an annual impairment test. We have determined that we have a single reporting unit, as defined in SFAS No. 142, within our Company. We completed our impairment test during 2003 as required by this accounting standard and have not recognized an impairment charge related to the adoption of this accounting standard in 2002. The impairment test requires us to forecast our future cash flows, which requires significant judgment. As of December 31, 2003, we have $9.5 million of goodwill, $.8 million of intangible assets—finite life, $1.4 million of indefinite life intangible assets, and $10.0 million of property, plant, and equipment recorded on the consolidated balance sheets.

Income Taxes and Tax Valuation Allowances

We record the estimated future tax effects of temporary differences between the tax bases of assets and liabilities and amounts reported in our balance sheets, as well as operating loss and tax credit carryforwards. We follow very specific and detailed guidelines in each tax jurisdiction regarding the recoverability of any tax assets recorded on the balance sheet and will provide necessary valuation allowances as required. We regularly review our deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. If we continue to operate at a loss or are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we could be required to record a valuation allowance against all or a significant portion of our deferred tax assets resulting in a substantial increase in our effective tax rate and a material adverse impact on our operating results. Gross deferred tax assets and gross deferred tax liabilities at December 31, 2003 totaled $2.3 million and $5.8 million, respectively.

Risk Management Activities

We are exposed to market risk including changes in interest rates, currency exchange rates and commodity prices. We may use derivative instruments to manage our interest rate and foreign currency exposures. We do not use derivative instruments for speculative or trading purposes. We may enter into hedging relationships such that changes in the fair values or cash flows of items and transactions being hedged are expected to be offset by corresponding changes in the values of the derivatives. Accounting for derivative instruments is complex, as evidenced by the significant interpretations of the primary accounting standard, and continues to evolve. As of December 31, 2003, there were no significant derivative instruments outstanding.

Pension and Postretirement Benefit Plan Assumptions

We sponsor a pension plan for certain union employees. We also sponsor a postretirement healthcare benefit plan for certain office employees retiring before January 1, 1990. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liability related to these plans. These factors include key assumptions, such as a discount rate and expected return on plan assets. In addition, our actuarial consultants use subjective factors such as withdrawal and mortality rates to estimate these liabilities. The actuarial assumptions we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may result in a significant impact to the amount of pension or postretirement healthcare benefit expenses we have recorded or may record in the future. An analysis for the expense associated with our pension plan is difficult due to the variety of assumptions utilized. For example, one of the significant assumptions used to determine projected benefit obligation is the discount rate. At December 31, 2003, a 25 basis point change in the discount rate would change the projected benefit obligation by approximately $100,000, and the annual post-retirement expense by less than $100,000. Additionally, a 25 basis point change in the expected return on plan assets would change the projected benefit obligation by approximately $100,000.

Other Significant Accounting Policies

Other significant accounting policies, not involving the same level of uncertainties as those discussed above, are nevertheless important to an understanding of our financial statements. See Note 1 to the consolidated financial statements, Summary of Significant Accounting Policies, which discusses accounting policies that must be selected by us when there are acceptable alternatives.

The following discussion of our results of operations and financial condition should be read in conjunction with the Consolidated Financial Statements and Notes thereto (including Note 18, Segment and Related Information) and other financial information included elsewhere in this report.

Backlog

Our backlog consists of orders we have received for products and services we expect to ship and deliver within the next 12 months. Our backlog, as of December 31, 2003 was $7.3 million compared to $14.6 million as of December 31, 2002. There can be no assurances that backlog will be replicated or increased or translated into higher revenues in the future. The success of our business depends on a multitude of factors that are out of our control. Our operating results can be affected by the introduction of new products, new manufacturing technologies, rapid change of the demand for its products, decrease in average selling price over the life of the product as competition increases and our dependence on efforts of intermediaries to sell a portion of our product.

New Accounting Standards

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations,” requiring that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Implementation of SFAS No. 143 is required for fiscal 2003. The adoption of this statement on January 1, 2003, did not have an effect on our financial position or results of operations.

In April 2002, the FASB issued Statement No. 145, “Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.” Among other amendments to previous pronouncements, which have already taken effect, a provision in the Statement requiring certain gains and losses from extinguishment of debt to be reclassified from extraordinary items, is effective January 1, 2003. The adoption of this statement on January 1, 2003, did not have an effect on our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” which is effective for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” The adoption of this statement on January 1, 2003, did not have an effect on our financial position or results of operations.

In December 2002, the FASB issued Statement No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure” which we adopted in 2003. The Statement provides alternative methods of transition for a voluntary change to the fair value method and, at this time, we do not anticipate making such voluntary change.

On April 30, 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, for hedging relationships designated after June 30, 2003, and to certain pre-existing contracts. We adopted SFAS No. 149 on a prospective basis at its effective date on July 1, 2003. The adoption of this statement did not have a material impact on our financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity.” This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement was effective for financial instruments entered into or modified after May 31, 2003 and pre-existing instruments as of the beginning of the first interim period that commences after June 15, 2003, except for mandatorily redeemable financial instruments. Mandatorily redeemable financial instruments are subject to the provisions of this statement beginning on January 1, 2004. We have not entered into or modified any financial instruments subsequent to May 31, 2003 affected by this statement nor do we have any mandatorily redeemable financial instruments. The adoption of this statement did not have a material impact on our financial condition or results of operations.

In November 2002, the FASB issued Interpretation No. 45 (“FIN 45”) “Guarantor’s Accounting and Disclosure requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee. However, the provisions related to recognizing a liability at inception of the guarantee for the fair value of the guarantor’s obligations does not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements of FIN 45 are effective for financial statements of interim or annual periods ending after December 15, 2002 and had no effect on our financial statement disclosures.

In January 2003, the FASB issued Interpretation No. 46 (“FIN 46”) “Consolidation of Variable Interest Entities”. FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity’s activities or entitled to receive a majority of the entity’s residual returns. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which no enterprise obtains an interest in after that date. The adoption of this interpretation on January 1, 2004 currently is not expected to affect our financial condition or results of operations, as we do not have any variable interest entities.

In November 2002, the FASB’s Emerging Issues Task Force (“EITF”) reached a consensus on EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF No. 00-21 provided guidance for revenue arrangements that involve the delivery or performance of multiple products or services where performance may occur at different points or over different periods of time. EITF No. 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003 (i.e., our fiscal 2004). We have not yet completed our assessment of the effect of the adoption, if any, of EITF Issue No. 00-21 on our financial condition or results of operations.

In December 2003, the FASB issued FASB Statement No. 132 (Revised 2003), Employers’ Disclosures about Pensions and Other Postretirement Benefits. The statement increases the existing disclosure requirements by requiring more details about pension plan assets, benefit obligations, cash flows, benefit costs and related information. We are required to segregate plan assets by category, such as debt, equity and real estate, and to provide certain expected rates of return and other informational disclosures. We have adopted the disclosure requirement of SFAS No. 132 for our December 31, 2003 financial statements, and we will be required to disclose various elements of pension and postretirement benefit costs in interim period financial statements for quarters beginning after December 15, 2003 (our first quarter of fiscal 2004 ending March 31).

Forward-Looking Statements

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

We wish to caution investors that any forward-looking statements made by or on our behalf are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other risk factors include, but are not limited to: changing economic and political conditions in the United States and in other countries, changes in governmental spending and budgetary policies, governmental laws and regulations surrounding various matters such as environmental remediation, contract pricing, and international trading restrictions, customer product acceptance, and continued access to capital markets, and foreign currency risks. We wish to caution investors that other factors might, in the future, prove to be important in affecting our results of operations. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or a combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Investors are further cautioned not to place undue reliance on such forward-looking statements as they speak only to our views as of the date the statement is made. We undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Item 7a. ***Quantitative and Qualitative Disclosure About Market Risk***

Risk Management Activities

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

Interest Rate Management

We may use interest rate swap contracts to adjust the proportion of our total debt that is subject to variable interest rates. Our interest rate swap contract matured in 2002 and was not renewed.

The remaining amount of loans outstanding under the Credit Agreement bear interest at the floating rates as described in Note 9 to the consolidated statements contained in Item 8.

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

	Expected Maturity Date							
	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
($ in thousands)								
Liabilities								
Variable Rate Debt ($)	2,094	7,863	—	—	—	—	9,957	9,957
Average Interest Rate	9.0%	9.0%	—	—	—	—	9.0%	9.0%
Subordinated Notes due 2006	—	—	—	4,325	—	—	4,325	4,443
Average Interest Rate	—	—	—	17.8%	—	—	17.8%	18.0%
Subordinated Note due 2005	—	—	—	1,200	—	—	1,200	1,117
Average Interest Rate	—	—	—	6.0%	—	—	6.0%	6.0%

Raw Materials

The profitability of our manufactured products is affected by changing purchase prices of steel and other materials. If higher steels or other material prices cannot be passed onto to our customers, operating income will be adversely affected.

Credit Risk

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

Item 8. ***Financial Statements and Supplementary Data***

The Company's consolidated financial statements of CECO Environmental Corp. and subsidiaries for years ended December 31, 2003, 2002 and 2001 and other data are included in this Report following the signature page of this Report:

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

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e)) under the Securities and Exchange Act of 1934 (the "Exchange Act") designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the specified time periods. Our Chief Executive Officer and Chief Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures as of December 31, 2003. Based on the evaluation, which disclosed no significant deficiencies or material weaknesses, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the evaluation.

Changes in Internal Controls

During the quarter ended December 31, 2003, there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Directors and Executive Officers

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

Name	Age	Position with CECO
Phillip DeZwirek	66	Chief Executive Officer; Chairman of the Board of Directors
Richard J. Blum	57	President; Director
Marshall J. Morris	44	Vice President-Finance and Administration; Chief Financial Officer
Jason Louis DeZwirek	33	Secretary; Director
David D. Blum	48	Senior Vice President-Sales and Marketing; Assistant Secretary
Josephine Grivas	63	Director
Melvin F. Lazar	65	Director
Donald A. Wright	66	Director

The Company has a separately designated Audit Committee, as defined in §3(a)(58)(A) of the Securities Exchange Act of 1934 (the “Exchange Act”), the current members of which are Mr. Lazar, Mr. Wright and Ms. Grivas. The Board of Directors has determined that Mr. Lazar qualifies as an audit committee financial expert as defined by Item 401(h) of Regulation S-K of the Exchange Act and that each of the Audit Committee members, including Mr. Lazar, is independent under the applicable Nasdaq listing standards.

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 also served as Chief Financial Officer until January 26, 2000. Mr. DeZwirek’s principal occupations during the past five years have been as Chairman of the Board and Vice President of Filters (since 1985); Treasurer and Assistant Secretary of CECO Group (since December 10, 1999); a director of Kirk & Blum and kbd/Technic (since 1999); President of Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. (“Green Diamond”) (since 1990) and Vice Chairman and Chief Executive Officer of API Electronics Group, Inc. Mr. DeZwirek has also been involved in private investment activities for the past five years.

Richard J. Blum became the President and a director of the Company on July 1, 2000 and the Chief Executive Officer and President of CECO Group, Inc. on December 10, 1999. Mr. Blum has been a director and the President of Kirk & Blum since February 28, 1975 until November 12, 2002 and the Chairman and a director of kbd/Technic since November 1988. Mr. Blum is also a director of The Factory Power Company, a company of which CECO owns a minority interest and that provides steam energy to various companies, including CECO. Kirk & Blum and kbd/Technic were acquired by the Company on December 7, 1999. Mr. Richard Blum is the brother of Mr. David Blum.

Marshall J. Morris became the Chief Financial Officer of the Company on January 26, 2000 and the Vice President-Finance and Administration on July 1, 2000. Mr. Morris also serves as Chief Financial Officer of

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

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. Mr. DeZwirek from October 1, 1997 through January 1, 2002 served as a member of the Committee that was established to administer CECO's Stock Option Plan. He also serves as Secretary of CECO Group (since December 10, 1999). Mr. DeZwirek's principal occupation since October 1999 has been as President of kaboose, Inc., a company that owns a children's portal. Mr. DeZwirek is (and has been since 2001) the Chairman of the Board of API Electronics Group, Inc., a publicly traded company, that is a manufacturer of power semi-conductors primarily for military use.

David D. Blum became the Senior Vice President-Sales and Marketing and an Assistant Secretary of the Company on July 1, 2000 and the President of Kirk & Blum on November 12, 2002. Mr. Blum served as Vice President of Kirk & Blum from 1997 to 2000 and was Vice President-Division Manager Louisville at Kirk & Blum from 1984 to 1997. Mr. David Blum is the brother of Mr. Richard Blum.

Josephine Grivas has been a director of CECO 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 CECO's stock option plan. She is also one of the initial administrators of the CECO Environmental Corp. 1999 Employee Stock Purchase Plan. Since February 20, 1998, Ms. Grivas has been a member of the Audit Committee, which assists the Board of Directors in its general oversight of CECO's financial reporting process and such other matters that are properly referred to the Audit Committee by the Board of Directors. Ms. Grivas had been an administrative assistant for Phillip DeZwirek since 1975. She retired from this position in February 1998.

Melvin F. Lazar became a director of CECO on February 6, 2003. Mr. Lazar also serves as Chairman of the Audit Committee. Mr. Lazar is a Certified Public Accountant and was the founding partner of Lazar Levine & Felix LLP, which was founded in 1969. Mr. Lazar has serviced public and closely-held companies for over 30 years and is considered an expert on business valuations and merger and acquisition activities. He also received his accreditation in Business Valuation from the American Institute of Certified Public Accountants in 1998. He serves as Director and member of the Audit Committee of Enzo Biochem, Inc., a public company traded on the New York Stock Exchange, Director and Chairman of the Audit Committee of Active Media Services, Inc., a privately held company, and director and chairman of the Audit Committee of Arbor Realty Trust, Inc., a newly formed real estate investment trust ("REIT"), which is currently in the registration process to become a publicly traded REIT.

Donald A. Wright became a director of CECO on February 20, 1998. Mr. Wright has also been a member of the Audit Committee since February 20, 1998. He is also one of the initial administrators of the CECO Environmental Corp. 1999 Employee Stock Purchase Plan and since January 1, 2002 has been a member of the Committee established to administer CECO's stock option plan. Mr. Wright has been a principal of and real estate broker with The Phillips Group in San Diego, California, a company which is a real estate developer and apartment building syndicator, since 1992. Since November 1996, Mr. Wright has also been a real estate broker with Prudential Dunn Realtors in Pacific Beach, California.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and executive officers and persons beneficially owning more than ten percent of a class of our equity securities to file certain reports of beneficial ownership and

changes in beneficial ownership with the Securities and Exchange Commission. Based solely on our review of Section 16(a) reports and any written representation made to us, the Company believes that all such required filings for 2003 were made in a timely manner.

Code of Ethics

We have adopted a Code of Ethics that applies to our directors and employees (including our principal executive officer, principal financial officer, principal accounting officer and controller and persons performing similar functions). A copy of the Code of Ethics is attached to this Form 10-K as Exhibit 14.

Item 11. ***Executive Compensation***

Summary of Cash and Certain Other Compensation

The following table sets forth all compensation received for services rendered to the Company in all capacities for the years ended December 31, 2003, 2002 and 2001, by (i) each person who served as Chief Executive Officer of the Company during the year ended December 31, 2003 and (ii) each of the other executive officers of the Company who were serving as executive officers at December 31, 2003 and whose total compensation exceeded $100,000. Perquisites amounting in aggregate to the lesser of $50,000 or 10% of the total annual salary and bonus reported for the named executive officer are not disclosed.

Richard J. Blum, who also serves as Chief Executive Officer and President of CECO Group, is paid the amounts set forth below by CECO Group. Mr. Phillip DeZwirek and Mr. Morris are paid by CECO. Mr. David Blum, who also serves as Vice-President of Kirk & Blum, is paid by Kirk & Blum.

Summary Compensation Table For CECO

Name/Principal Position	Year	Annual Compensation		Long-Term Compensation Securities Underlying Options (#)	All Other Compensation
		Salary	Bonus		
Phillip DeZwirek	2003				$ 250,000(1)
Chairman of the Board & Chief Executive Officer	2002				$ 250,000
	2001	$ 111,000			$ 139,000
Richard J. Blum	2003	$ 244,600			$ 5,791(2)
President of CECO & President & Chief Executive Officer of	2002	$ 227,400			$ 11,438
CECO Group	2001	$ 227,538		25,000(3)	$ 25,406
David D. Blum	2003	$ 181,275			$ 3,011(4)
Senior Vice President-Sales & Marketing	2002	$ 170,750			$ 7,235
and Assistant Secretary of CECO and	2001	$ 170,106			$ 17,104
Vice President of Kirk & Blum					
Marshall J. Morris	2003	$ 165,387			$ 2,601(5)
Vice President-Finance & Administration	2002	$ 156,000			$ 2,227
and Chief Financial Officer of CECO	2001	$ 155,769			$ 1,377

(1) Includes $250,000 paid to Can-Med Technology, Inc. d/b/a Green Diamond Oil Corp. in 2003 for consulting services provided by Green Diamond. Mr. DeZwirek is deemed to control Green Diamond.

(2) Represents Company contribution of $2,514 to 401(k) plan on behalf of Mr. Richard Blum and $3,277 of insurance premiums paid for term life insurance for his benefit.

(3) Represents options to purchase 25,000 shares of CECO's stock granted on October 5, 2001. Such options are exercisable at any time between April 5, 2002 and October 5, 2011 at a price of $2.01 per share.

(4) Represents Company contribution of $2,178 to 401(k) plan on behalf of Mr. David Blum and $833 of insurance premiums paid for term life insurance for his benefit.

(5) Represents Company contribution of $2,099 to 401(k) plan on behalf of Mr. Morris and $502 of insurance premiums paid for term life insurance for his benefit.

Option Grants and Exercises in Last Fiscal Year

We did not grant any options to our executive officers in the fiscal year 2003. The following table sets forth information with respect to CECO's executive officers concerning unexercised options on stock of CECO held as of the end of the fiscal year.

Aggregated Option/SAR on CECO
Exercises for the Year Ended December 31, 2003
and Option/SAR Values on CECO as of December 31, 2003

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at 12/31/03		Value of Unexercised In-The-Money Options/SARs at 12/31/03	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Phillip DeZwirek	0	0	2,250,000	0	$ 6,000	N/A
Richard J. Blum	0	0	473,000	0	$ 0	N/A
David D. Blum	0	0	335,000	0	$ 0	N/A
Marshall J. Morris	0	0	30,000	20,000	$ 0	$ 0
Jason Louis DeZwirek	0	0	25,000	0	$ 0	N/A

Employment Contracts

Richard J. Blum entered into an Employment Agreement dated December 7, 1999 with CECO Group, Inc., a wholly-owned subsidiary of CECO. The Employment Agreement has a term through December 7, 2005. Either party may terminate the Employment Agreement for cause. Mr. Richard Blum's base salary is set annually, at the Board's discretion, and is currently $244,600 per year. In addition to his base salary, Mr. Richard Blum is entitled to a bonus, depending upon whether the Company exceeds certain targets, and four weeks paid vacation.

David D. Blum entered into an Employment Agreement dated December 7, 1999 with Kirk & Blum. The Employment Agreement has a term through December 7, 2005. Either party may terminate the Employment Agreement for cause. Mr. David Blum's base salary is set annually, at the Board's discretion, and is currently $181,275 per year. In addition to his base salary, Mr. David Blum is entitled to a bonus, depending upon whether the Company exceeds certain targets, and four weeks paid vacation.

Compensation Under CECO Stock Option Plan and Stock Purchase Plans

Stock Option Plan

Our Stock Option Plan was adopted by our board of directors on October 1, 1997 and approved by the shareholders on September 10, 1998. This plan provides for the grant of incentive stock options to our employees and nonstatutory stock options to our employees, consultants, advisors and directors. The number of shares of common stock reserved under the Stock Option Plan are 1,500,000. Of these shares, 168,700 shares were subject to outstanding options as of December 31, 2003. No options have been exercised as of March 15, 2003.

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

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

On February 6, 2003, we granted options under the Stock Option Plan to Director Lazar to purchase up to 10,000 shares of the Company's common stock at an exercise price of $1.90. No other options were granted under the Stock Option Plan in the year 2003.

Stock Purchase Plan

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

As of December 31, 2003, 73,898 shares of stock have been issued under the Stock Purchase Plan; 6,241 of which have been issued to Mr. Richard Blum to date, and 10,019 of which have been issued to Mr. David Blum to date. Of the 10,019 issued to Mr. David Blum, 2,120 were issued in 2003. No other shares of stock under the Stock Purchase Plan have been issued to an executive officer or director of the Company.

Director Compensation

In consideration for Melvin F. Lazar's valuable service to the Company as a director, we granted Mr. Lazar options on February 6, 2003 to purchase up to 10,000 shares of our common stock under the Stock Option Plan at a price of $1.90, the closing price of CECO's common stock as of such date. Such options are exercisable at any time between February 6, 2004 and 60 days after he ceases to be a director of the Company or any of its subsidiaries and are not transferable other than by will or the laws of descent. Mr. Lazar also receives an annual amount of $20,000, paid in quarterly installments for serving as director, $4,000 per year paid in quarterly installments for serving as Chairman of the audit committee, and $1,000 for every formal board meeting and audit meeting he attends. Mr. Lazar's reasonable travel expenses will be reimbursed by us. In 2003, Mr. Lazar received $18,000 in director's fees, $3,600 in audit committee chair fees (both prorated to account for his becoming a director in February 2003), $3,000 for attendance at three formal meetings, and $1,188 for travel expense reimbursement. Mr. Lazar has agreed to attend at least one audit meeting a quarter and such other audit committee meetings that are determined to be necessary by the audit committee.

No other of our directors received consideration for serving in their capacity as directors of the Company or as members of any committee of the Board of Directors during its last fiscal year. Directors Richard Blum and Phillip DeZwirek receive compensation in their capacities as executive officers.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Transactions***

Beneficial Ownership of Shares

The following table sets forth the name and address of each beneficial owner of more than five percent (5%) of our common stock known to us, the number of shares of our common stock beneficially owned as of March 15, 2004, and the percent of the class so owned by each such person.

Name and Address of Beneficial Owner	No. of Shares of Common Stock Beneficially Owned	% of Total Common Shares Outstanding(1)
Phillip DeZwirek (2),(3) Chief Executive Officer and Chairman of the Board 505 University Avenue Suite 1400 Toronto, Ontario M5G 1X3	4,657,457	38.1%
Jason Louis DeZwirek(2),(4),(5) Secretary 247 Erskine Avenue Toronto, Ontario M4P 1Z6	3,845,426	38.4%
Icarus Investment Corp. (2),(6) 505 University Avenue Suite 1400 Toronto, Ontario M5G 1X3	2,221,760	22.3%
IntroTech Investments, Inc.(4) 247 Erskine Avenue Toronto, Ontario M4P 1Z6	1,598,666	16.0%
Can-Med Technology, Inc.(6) d/b/a Green Diamond Oil Corp. 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1X3	887,400	8.9%
Crestview Capital Fund L.P.(7) 95 Revere Drive, Suite F Northbrook, IL 60062	582,171	5.7%
Harvey Sandler(8) 17591 Lake Estates Drive Boca Raton, FL 33496	511,000	5.1%

(1) Based upon 9,984,974 shares of our common stock outstanding as of March 15, 2004. For each named person, this percentage includes Common Stock of which such person has the right to acquire beneficial ownership either currently or within 60 days of March 15, 2004, including, but not limited to, upon the exercise of an option; however, such Common Stock shall not be deemed outstanding for the purpose of computing the percentage owned by any other person.

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

(3) Includes (i) 750,000 shares of our common stock that Phillip DeZwirek can purchase on or prior to November 7, 2006 from CECO at a price of $1.75 per share pursuant to warrants granted to Mr. DeZwirek

by the Company on November 7, 1996; (ii) 250,000 shares that may be purchased pursuant to warrants granted January 14, 1998 at a price of $2.75 per share prior to January 14, 2008; (iii) 250,000 shares of our common stock that may be purchased pursuant to warrants granted September 14, 1998 at a price of $1.626 per share prior to September 14, 2008; (iv) 500,000 shares that may be purchased pursuant to warrants granted to Mr. DeZwirek by the Company January 22, 1999, which are exercisable prior to January 22, 2009 at a price of $3.00 per share; and (v) 500,000 shares that may be purchased pursuant to warrants granted to Mr. DeZwirek by CECO August 14, 2000, which are exercisable prior to August 14, 2010 at a price of $2.0625 per share.

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

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

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

(7) Includes 216,667 shares of common stock that Crestview Capital Fund L.P. can purchase on or prior to December 31, 2006 from CECO at a price of $3.60 per share pursuant to warrants granted December 31, 2001.

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

Security Ownership of Management

As of March 15, 2004, the present directors and executive officers of the Company are the beneficial owners of the numbers of shares of our common stock set forth below:

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	% Total Company Common Shares Outstanding(1)
Phillip DeZwirek(2) 505 University Avenue Suite 1400 Toronto, Ontario M5G 1P7	4,657,457	38.1%
Jason Louis DeZwirek(3) 247 Erskine Avenue Toronto, Ontario M4P 1Z6	3,845,426	38.4%
Richard J. Blum(4) 3120 Forrer Street Cincinnati, Ohio 45209	499,241	4.8%
David D. Blum(5) 3120 Forrer Street Cincinnati, Ohio 45209	355,019	3.4%
Donald A. Wright(6) 4538 Cass Street San Diego, California 92109	50,000	0.5%
Marshall J. Morris(7) 3120 Forrer Street Cincinnati, Ohio 45209	50,600	0.5%
Melvin F. Lazar(8) 400 East 56th Street Apt. 16N New York, NY 10022	10,000	0.1%
Josephine Grivas 505 University Avenue Suite 1400 Toronto, Ontario M5G 1P7	—	—
Officers and Directors as a group (8 persons)	7,245,983	55.1%

(1) See Note 1 to the foregoing table.
(2) See Notes 2 and 3 to the foregoing table.
(3) See Notes 2, 4 and 5 to the foregoing table.
(4) Includes 448,000 shares of our common stock that Mr. Richard Blum has the right to purchase for $2.9375 per share pursuant to a warrant granted to Mr. Richard Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic. Also includes 25,000 shares that may be purchased pursuant to Options granted to Mr. Blum October 5, 2001, at a price of $2.01 per share.
(5) Includes 335,000 shares of our common stock that Mr. David Blum has the right to purchase for $2.9375 per share pursuant to a warrant granted to Mr. David Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic.
(6) Includes (i) 10,000 shares of our common stock that may be purchased pursuant to Options granted June 30, 1998, at a price of $2.75 per share prior to June 30, 2008; (ii) 5,000 shares of our common stock that may be

purchased pursuant to Options granted September 18, 2000 at a price of $2.0625 per share prior to September 18, 2010; and (iii) 10,000 shares that may be purchased pursuant to Options granted October 5, 2001 at a price of $2.01 per share.

(7) Includes 400 shares held in the name of Cynthia S. Morris, the spouse of Mr. Morris. Also includes 40,000 shares of our common stock that may be purchased pursuant to options granted to Mr. Morris to purchase 50,000 shares of our common stock on January 20, 2000. This option became exercisable on January 20, 2001, with respect to 10,000 of such shares, on January 20, 2002 with respect to another 10,000 shares, on January 20, 2003 with respect to another 10,000 of such shares, and on January 20, 2004 with respect to 10,000 shares. The additional 10,000 shares become exercisable January 20, 2005. The exercise price of the options is $2.50 per share.

(8) Includes 10,000 shares of our common stock Mr. Lazar has the right to purchase for $1.90 per share, pursuant to Options granted Mr. Lazar on February 6, 2003.

Securities Authorized for Issuance Under Equity Compensation Plans

EQUITY COMPENSATION PLAN INFORMATION

December 31, 2003 Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights, compensation plans	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	168,700	$ 2.54	1,331,300
Equity compensation plans not approved by security holders	3,285,000(1)	$ 2.42	None
TOTAL	3,453,700	$ 2.43	1,331,300

(1) Includes:

(a) a warrant to purchase 448,000 shares of Common Stock for $2.9375 per share granted to Mr. Richard Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic;

(b) a warrant to purchase 335,000 shares of Common Stock for $2.9375 per share granted to Mr. David Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic;

(c) a warrant to purchase 217,000 shares of Common Stock for $2.9375 per share granted to Mr. Larry Blum on December 7, 1999, in connection with the acquisition of Kirk & Blum and kbd/Technic;

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

(e) (i) 750,000 shares of common stock that Mr. Phillip DeZwirek can purchase on or prior to November 7, 2006 at a price of $1.75 per share pursuant to warrants granted to Mr. Phillip DeZwirek on November 7, 1996; (ii) 250,000 shares that may be purchased pursuant to warrants granted January 14, 1998 at a price of $2.75 per share prior to January 14, 2008; (iii) 250,000 shares of common stock that may be purchased by Mr. Phillip DeZwirek pursuant to warrants granted September 14, 1998 at a price of $1.626 per share prior to September 14, 2008; (iv) 500,000 shares that may be purchased pursuant to warrants granted to Mr. Phillip DeZwirek January 22, 1999, which are exercisable prior to January 22, 2009 at a price of $3.00 per share; and (v) 500,000 shares that may be purchased pursuant to warrants granted to Mr. Phillip DeZwirek August 14, 2000, which are exercisable prior to August 14, 2010 at a price of $2.0625 per share; and

(f) 10,000 shares of common stock that Mr. Donald Wright can purchase pursuant to options granted June 30, 1998 at a price per share of $2.75 prior to June 30, 2008.

Item 13. ***Certain Relationships and Related Transactions***

Certain Transactions

Since January 1, 2003, 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 our common stock, had a direct or indirect material interest.

As a condition to obtaining our current bank facility, we placed $5 million of subordinated debt. Green Diamond provided $4,000,000 of the subordinated debt (the "Sub Debt"). The promissory notes which were issued to evidence the subordinated debt provide that they accrue interest at the rate of 12% per annum, payable semi-annually. Actual payment is subject to the subordination agreement with the banks providing the Bank Facility.

During the fiscal year ended December 31, 2003, we reimbursed Green Diamond $5,000 per month for use of the space and other office expenses of the Company's Toronto office. Green Diamond is owned 50.1% by Icarus Investment Corp., which is controlled by Phillip DeZwirek, the Chief Executive Officer and Chairman of the Board of CECO, and Jason Louis DeZwirek, the Secretary and a director of the Company.

During the fiscal year ended December 31, 2003, we paid fees of $250,000 to Green Diamond for management consulting services. The services were provided by Phillip DeZwirek, the Chief Executive Officer and Chairman of the Board of CECO, through Green Diamond. Such amount is included as compensation paid to Mr. DeZwirek under "Executive Compensation."

On September 30, 2003, Green Diamond provided $1,200,000 of subordinated debt to the Company. The proceeds were used to pay down our credit facility. The note issued to evidence the loan has a maturity date of April 30, 2005, or earlier if certain significant transactions occur, such as upon the sale of the stock or assets of the company or other change in control. Interest accrues at the rate of 6% per annum, and is payable on March 31 and September 30 of each year, commencing March 31, 2004. Payment of the note is subject to the subordination agreement with the banks providing the Bank Facility. In addition, payment may not be made if there is a default by the Company under the notes evidencing the Sub Debt.

Item 14. ***Principal Accountant Fees and Services***

Fees Paid to Deloitte & Touche LLP

The following table sets forth the fees paid for services provided by Deloitte & Touche LLP during the fiscal years ended December 31, 2002 and December 31, 2003.

	2003	2002
Audit Fees	$ 163,000	$ 152,996
Audit-Related Fees	8,000	14,600
Tax Fees	60,475	59,228
All Other Fees	0	3,689
Total	$ 231,475	$ 230,513

The following is a description of the nature of the services comprising the fees disclosed in the table above for each of the four categories of services. The Audit Committee has considered whether providing non-audit services is compatible with maintaining Deloitte & Touche LLP's independence.

Audit Fees. These are fees for professional services rendered by Deloitte & Touche LLP for the audit of our annual consolidated financial statements, the review of financial statements included in Quarterly Reports on Form 10-Q, and services that are normally rendered in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. These are fees for assurance and related services rendered by Deloitte & Touche LLP that are reasonably related to the performance of the audit or the review of our financial statements that are not included as audit fees. These services include work associated with the Company's registration statement on Form S-1 and the Post-Effective Amendment on Form S-3 to Form S-1/A.

Tax Fees. These are fees for professional services rendered by Deloitte & Touche LLP with respect to tax compliance, tax advice and tax planning. These services include tax return preparation, tax consulting associated with inventory, and consulting on tax planning matters.

All Other Fees. These are fees for other services rendered by Deloitte & Touche LLP that do not meet the above category descriptions. These services include consulting on real estate accounting matters.

Audit Committee Pre-Approval Policy

The Audit Committee is responsible for pre-approving all audit services and permitted non-audit services (including the fees and retention terms) to be performed for the Company by Deloitte & Touche LLP prior to their engagement for such services. The Audit Committee has delegated to each of its members the authority to grant pre-approvals, such approvals to be presented to the full Committee at the next scheduled meeting. None of the fees paid to Deloitte & Touche LLP under the categories Audit-Related, Tax and All Other were approved by the Audit Committee after the services were rendered pursuant to the deminimis exception established by the SEC.

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) 1. Financial statements are set forth in this report following the signature page of this report.

2. Financial statement schedules have been omitted since they are either not required, not applicable, or the information is otherwise included.

3. Exhibit Index. The exhibits listed below, as part of Form 10-K, are numbered in conformity with the numbering used in Item 601 of Regulation S-K of the Securities and Exchange Commission.

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

2.2 Certificate of Ownership and Merger Merging CECO Environmental Corp. into CECO Environmental Corp. (Incorporated by reference from Form 10-K dated December 31, 2001)

2.3 Certificate of Merger of CECO Environmental Corp. into CECO Environmental Corp. Under Section 907 of the Business Corporation Law. (Incorporated by reference from Form 10-K dated December 31, 2001)

3(i) Certificate of Incorporation. (Incorporated by reference from Form 10-K dated December 31, 2001)

3(ii) Bylaws. (Incorporated by reference from Form 10-K dated December 31, 2001)

10.1 CECO Filters, Inc. Savings and Retirement Plan. (Incorporated by reference from CECO's Annual Report on Form 10-K for the fiscal year ended December 31, 1990)

** 10.2 CECO Environmental Corp. 1997 Stock Option Plan and Amendment. (Incorporated by reference from Form S-8, Exhibit 4, filed March 24, 2000, of the Company)

10.3 1999 CECO Environmental Corp. Employee Stock Purchase Plan. (Incorporated by reference from Form S-8, filed September 22, 1999 of the Company)

10.4 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)

10.5 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)

10.6 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)

10.7 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)

** 10.8 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)

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

10.10 Lease between Busch Co. and Richard Roos dated January 10, 1980, Amendment to Lease dated August 1, 1988 between Busch Co. and Richard Roos, Amendment to Lease dated May 21, 1991 between Richard A. Roos and Busch Co. and Amendment to Lease dated June 1, 1991 between JDA, Inc. and Busch Co. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1997)

10.11 Assignment of Lease dated September 25, 1997 among Richard A. Roos, JDA, Inc., Busch Co. and New Busch Co., Inc. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

10.12 Lease between Joseph V. Salvucci and Busch Co. dated October 17, 1994. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1997)

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

** 10.14 Warrant Agreement dated as of January 22, 1999 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

** 10.15 Option for the Purchase of Shares of Common Stock for Donald Wright dated June 30, 1998. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 1998)

10.16 Stock Purchase Agreement, dated as of December 7, 1999, among CECO Environmental Corp., CECO Filters, Inc. and the Stockholders of The Kirk & Blum Manufacturing Company and kbd/Technic, Inc. and Richard J. Blum, Lawrence J. Blum and David D. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

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

** 10.18 Stock Purchase Warrant, dated as of December 7, 1999, granted by CECO Environmental Corp. to Richard J. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

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

** 10.20 Stock Purchase Warrant, dated as of December 7, 1999, granted by CECO Environmental Corp. to Lawrence J. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

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

** 10.22 Stock Purchase Warrant, dated as of December 7, 1999, granted by CECO Environmental Corp. to David D. Blum. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

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

10.24 Kbd/Technic, Inc. Voting Trust Agreement, dated as of December 7, 1999, Richard J. Blum, trustee. (Incorporated by reference from the Company's Form 8-K filed December 22, 1999 with respect to event that occurred December 7, 1999)

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

10.26 Letter Agreement between PNC Bank and CECO Group, Inc., dated September 28, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

10.27 Second Amendment to Credit Agreement dated November 19, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

** 10.28 Stock Option Agreement for Donald A. Wright dated September 18, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

** 10.29 Warrant Agreement dated as of August 14, 2000 between the Company and Phillip DeZwirek. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

** 10.30 Incentive Stock Option Agreement for Marshall J. Morris dated as of January 20, 2000. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

* 10.31 Second Amended and Restated Replacement Promissory Note in the amount of $4,000,000, dated as of May 28, 2002, made by CECO Environmental Corp. and payable to Green Diamond Oil Corp.

10.32 Amended and Restated Replacement Promissory Note in the amount of $500,000, dated as of May 1, 2001, made by CECO Environmental Corp. and payable to Harvey Sandler. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2001)

* 10.33 Second Amended and Restated Replacement Promissory Note in the amount of $500,000, dated as of May 28, 2002, made by CECO Environmental Corp. and payable to ICS Trustee Services, Ltd.

10.34 Third Amendment to Credit Agreement dated March 30, 2001. (Incorporated by reference from the Company's Form 10-KSB dated December 31, 2000)

10.35 Fourth Amendment to Credit Agreement dated August 20, 2001. (Incorporated by reference from Form 10-K dated December 31, 2001)

10.36 Fifth Amendment to Credit Agreement dated March 27, 2002. (Incorporated by reference from Form 10-K dated December 31, 2001)

** 10.37 Option for the Purchase of Shares of Common Stock of Jason Louis DeZwirek dated October 5, 2001. (Incorporated by reference from Form 10-K dated December 31, 2001)

10.38 Asset Purchase Agreement between Belfiber Co. and Air Purator Corporation dated December 31, 2001. (Incorporated by reference from Form 10-K dated December 31, 2001)

10.39 Subscription Agreement dated December 31, 2001. (Incorporated by reference from the Company's Form 8-K filed January 15, 2002)

10.40 Form of Warrant (for Investors). (Incorporated by reference from the Company's Form 8-K filed January 15, 2002)

10.41 Form of Warrant (for Finders). (Incorporated by reference from Form 10-K dated December 31, 2001)

10.42 Sixth Amendment to Credit Agreement dated May 14, 2002. (Incorporated by reference from the Company's Form 10-K dated December 31, 2002)

10.43 Seventh Amendment to Credit Agreement dated November 13, 2002. (Incorporated by reference from the Company's Form 10-K dated December 31, 2002)

10.44 Amendment to Pledge Agreement dated November 13, 2002. (Incorporated by reference from the Company's Form 10-K dated December 31, 2002)

* 10.45 Promissory Note in the amount of $1,200,000 dated as of September 30, 2003, made by CECO Environmental Corp. and payable to Green Diamond Oil Corp.

* 10.46 Intercreditor Agreement among PNC Bank, National Association, Fifth Third Bank and Bank One, NA dated November 13, 2003.

* 10.47 Eighth Amendment to Credit Agreement dated November 13, 2003.

* 10.48 Lease Agreement between LFT Realty Group and CECO Filters, Inc. dated April 13, 2003.

* 10.49 Agreement of Sale and Purchase of Real Estate dated April 10, 2003 between Plymouth Industrial Center, Inc. and CECO Filters, Inc.

* 10.50 Purchase Agreement between Cincinnati Galleria, LLC and The Kirk & Blum Manufacturing Company dated November 20, 2003. Portions of such document have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

* 10.51 Amendment to Purchase Agreement between Cincinnati Galleria, LLC and The Kirk & Blum Manufacturing Company dated February 27, 2004.

* 14 Code of Ethics

* 21 Subsidiaries of the Company

* 23.1 Consent of Independent Auditors

* 31.1 Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer

* 31.2 Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer

* 32.1 Certification of Chief Executive Officer (18 U.S. Section 1350)

* 32.2 Certification of Chief Financial Officer (18 U.S. Section 1350)

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* Filed herewith

** Management contracts or compensation plans or arrangements

(b) Reports on Form 8-K

The Company did not file a report on Form 8-K during the fiscal quarter ended December 31, 2003.

(c) See Exhibit Index in 15(a) 3 above.

(d) See 15(a) 2 above.

SIGNATURES

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

CECO ENVIRONMENTAL CORP.

By: /S/ PHILLIP DEZWIREK

Phillip DeZwirek,
Chief Executive Officer
Dated: March 29, 2004

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

Signature	Date
Principal Executive Officer	
/S/ PHILLIP DEZWIREK **Phillip DeZwirek,** **Chairman of the Board, Director and** **Chief Executive Officer**	March 29, 2004
Principal Financial and Accounting Officer	
/S/ MARSHALL J. MORRIS **Marshall J. Morris,** **Vice President-Finance and Administration;** **Chief Financial Officer**	March 29, 2004
/S/ RICHARD J. BLUM **Richard J. Blum,** **President, Director**	March 29, 2004
/S/ JASON LOUIS DEZWIREK **Jason Louis DeZwirek,** **Director**	March 29, 2004
/S/ JOSEPHINE GRIVAS **Josephine Grivas,** **Director**	March 29, 2004
/S/ MELVIN F. LAZAR **Melvin F. Lazar,** **Director**	March 29, 2004
/S/ DONALD WRIGHT **Donald Wright,** **Director**	March 29, 2004

CECO ENVIRONMENTAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
CECO Environmental Corp.

We have audited the accompanying consolidated balance sheets of CECO Environmental Corp. and subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/S/ DELOITTE & TOUCHE LLP

Cincinnati, Ohio
March 25, 2004

CECO ENVIRONMENTAL CORP.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2003	2002
	Dollars in thousands except share data	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 136	$ 194
Accounts receivable, net	11,398	12,037
Costs and estimated earnings in excess of billings on uncompleted contracts	5,309	5,287
Inventories	1,575	2,055
Prepaid expenses and other current assets	1,983	2,151
Total current assets	20,401	21,724
Property and equipment, net	9,987	12,122
Goodwill	9,527	9,527
Intangible assets—finite life, net	816	894
Intangible assets—indefinite life	1,395	1,395
Deferred charges and other assets	997	1,015
	$ 43,123	$ 46,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 2,094	$ 2,120
Accounts payable and accrued expenses	11,309	11,765
Billings in excess of costs and estimated earnings on uncompleted contracts	1,320	1,652
Total current liabilities	14,723	15,537
Other liabilities	2,591	2,137
Debt, less current portion	7,863	12,164
Deferred income tax liability	3,185	3,390
Subordinated notes (including, related party—$5,093 and $3,634, respectively)	5,525	4,038
Total liabilities	33,887	37,266
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000,000 shares authorized, none issued	—	—
Common stock, $.01 par value; 100,000,000 shares authorized, 10,786,194 and 10,390,956 shares issued in 2003 and 2002, respectively	104	104
Capital in excess of par value	16,333	16,313
Accumulated deficit	(4,503)	(4,337)
Accumulated other comprehensive loss	(894)	(865)
	11,040	11,215
Less treasury stock, at cost, 801,220 shares in 2003 and 2002	(1,804)	(1,804)
Total shareholders' equity	9,236	9,411
	$ 43,123	$ 46,677

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2003	2002	2001
	Dollars in thousands, except per share data		
Net sales	$ 68,965	$ 78,877	$ 90,994
Costs and expenses:			
Cost of sales, exclusive of items shown separately below	55,148	62,985	72,462
Selling and administrative	10,402	11,902	13,199
Depreciation and amortization	1,581	1,789	2,320
	67,131	76,676	87,981
Income from operations before other income and interest expense	1,834	2,201	3,013
Other income	213	204	396
Interest expense (including related party interest of $817, $799 and $710, respectively)	(2,275)	(2,744)	(3,542)
Loss from operations before income taxes	(228)	(339)	(133)
Income tax (benefit) provision	(62)	(216)	131
Net loss	$ (166)	$ (123)	$ (264)
Net loss per share—basic and diluted	$ (.02)	$ (.01)	$ (.03)
Weighted average number of common shares outstanding:			
Basic and diluted	9,852,280	9,582,011	7,899,092

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock	Capital in Excess of Par Value	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock	Total	Total Comprehensive Loss
				Dollars in thousands			
Balance, December 31, 2000	$ 86	$ 12,592	$ (3,950)	$ (34)	$ (1,686)	$ 7,008	
Cumulative effect of change in accounting principle-adoption of SFAS No. 133, net of tax $140				(209)		(209)	$ (209)
Net loss for the year ended December 31, 2001			(264)			(264)	(264)
Exercise of warrants	10	2,240				2,250	
Issuance of common stock	8	1,132				1,140	
Contingent stock warrants issued		340				340	
Other comprehensive loss:							
Minimum pension liability, net of tax $275				(413)		(413)	(413)
Change in fair value of swap, net of tax $20				(31)		(31)	(31)
Balance, December 31, 2001	104	16,304	(4,214)	(687)	(1,686)	9,821	$ (917)
Net loss for the year ended December 31, 2002			(123)			(123)	$ (123)
Issuance of common stock		9				9	
Treasury stock purchases					(118)	(118)	
Other comprehensive loss:							
Minimum pension liability, net of tax $278				(418)		(418)	(418)
Termination of swap, net of tax $160				240		240	240
Balance, December 31, 2002	104	16,313	(4,337)	(865)	(1,804)	9,411	$ (301)
Net loss for the year ended December 31, 2003			(166)			(166)	$ (166)
Issuance of common stock		20				20	
Other comprehensive loss:							
Minimum pension liability, net of tax $20				(29)		(29)	(29)
Balance, December 31, 2003	$ 104	$ 16,333	$ (4,503)	$ (894)	$ (1,804)	$ 9,236	$ (195)

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

CECO ENVIRONMENTAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31		
	2003	2002	2001
	Dollars in thousands		
Cash flows from operating activities:			
Net loss	$ (166)	$ (123)	$ (264)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	1,581	1,789	2,320
Other non cash gains included in net loss	(213)	—	—
Deferred income taxes	(5)	(59)	103
Gain on sale of business	—	(250)	—
Gain on sale of marketable securities, trading	—	—	(388)
Changes in operating assets and liabilities:			
Marketable securities—trading	—	—	1,390
Accounts receivable	639	4,963	372
Costs and estimated earnings in excess of billings on uncompleted contracts	(22)	285	(473)
Inventories	480	102	216
Prepaid expenses and other current assets	(72)	(1,006)	(767)
Deferred charges and other assets	(330)	(40)	(440)
Accounts payable and accrued expenses	(456)	(1,040)	852
Other liabilities	265	(264)	(40)
Billings in excess of costs and estimated earnings on uncompleted contracts	(332)	(943)	1,420
Other	224	287	81
Net cash provided by operating activities	1,593	3,701	4,382
Cash flows from investing activities:			
Acquisitions of property and equipment and intangible assets	(112)	(240)	(793)
Divestiture of businesses and other	—	470	—
Proceeds from sale of property	1,568	—	—
Net cash provided by (used in) investing activities	1,456	230	(793)
Cash flows from financing activities:			
Net (repayments) borrowings on revolving credit line	(1,198)	700	(800)
Proceeds from issuance of stock and detachable warrants	20	9	4,377
Stock issuance expense	—	(443)	—
Repayments of debt	(3,129)	(4,080)	(7,952)
Proceeds from subordinated debt	1,200	—	—
Proceeds from borrowing against cash surrender value of life insurance	—	142	175
Purchases of treasury stock	—	(118)	—
Net cash used in financing activities	(3,107)	(3,790)	(4,200)
Net increase (decrease) in cash and cash equivalents	(58)	141	(611)
Cash and cash equivalents at beginning of year	194	53	664
Cash and cash equivalents at end of year	$ 136	$ 194	$ 53

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

CECO ENVIRONMENTAL CORP.

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid (refunded) during the year for:	2003	2002	2001
Interest	$ 1,331	$ 2,578	$ 2,693
Income taxes	$ (183)	$ 335	$ 673

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

(Dollars in thousands, except per share amounts)

1. Nature of Business and Summary of Significant Accounting Policies

Nature of business—We operate in a single industry segment that provides innovative solutions to industrial ventilation and air quality problems through dust, mist and fume control systems and particle and chemical technologies to industrial and commercial customers, primarily in the United States.

Principles of consolidation—Our consolidated financial statements include the accounts of the following subsidiaries:

	% Owned As Of December 31, 2003
CECO Group, Inc. (“Group”)	100%
CECO Filters, Inc. and Subsidiaries (“CFI”)	99%
The Kirk & Blum Manufacturing Company (“K&B”)	100%
kbd/Technic, Inc (“kbd”)	100%
CECO Abatement Systems, Inc (“CAS”) .	100%

CFI includes a wholly owned subsidiary, New Busch Co., Inc. (“Busch”). In 2002, we increased our ownership in CFI from 94% to 99% by contributing our intercompany receivable from CFI and receiving in exchange additional shares of CFI.

All material intercompany balances and transactions have been eliminated.

Divestiture of Businesses—In December 2001, we sold the fixed assets and inventory of Air Purator Corporation (“APC”) and received notes totaling $475. The notes which were due primarily in March 2002 were secured by the assets of APC. At December 31, 2001, we deferred the gain on sale of $250 until collection was reasonably assured. However, the purchaser defaulted on the loan, and we commenced foreclosure proceedings in May 2002. We subsequently sold the assets to the former general manager of APC on July 31, 2002 and recognized a gain on the sale during the third and fourth quarters of 2002 totaling $250. The net assets and operations of APC were not material to our consolidated financial statements.

We sold the assets of Busch Martec during 2002 because these assets no longer served our vision for future operations. Busch Martec’s assets were not material to our consolidated financial statements.

Use of estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents—We consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments in marketable securities—Investments in marketable securities are generally comprised of corporate common stock securities. These investments generally are classified as trading securities, which are carried at their fair value based on quoted market prices. Accordingly, net realized and unrealized gains and losses on trading securities and interest income are included in other (expense) income. Realized gains and losses

are recorded based on the specific identification method. The fair value of investments in marketable securities at December 31, 2003 totaled $393, of which $382 is restricted for bonding purposes. These investments are included in prepaid expenses and other current assets in the consolidated balance sheets.

Inventories—The labor content of work-in-process and finished products and substantially all inventories of steel at our Cincinnati Facility (approximately 69% and 70% of total inventories at December 31, 2003 and 2002, respectively) are valued at the lower of cost or market using the last-in, first-out (LIFO) method. All other inventories are valued at the lower of cost or market, using the first-in, first-out (FIFO) method. The LIFO method of inventory valuation for all classes of inventory approximated the FIFO value at December 31, 2003 and 2002.

Accounting for long-lived assets—Our policy is to assess the recoverability of long-lived assets when there are indications of potential impairment and the undiscounted cash flows estimated to be generated by those assets are less than the carrying value of such assets.

Property and equipment—Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to income as incurred. Depreciation and amortization are computed using the straight-line and accelerated methods over the estimated useful lives of the assets, which range from 12 to 40 years for building and improvements and 3 to 10 years for machinery and equipment.

Intangible assets—The ratable amortization of the goodwill associated with acquisitions and other intangible assets with indefinite lives was replaced with periodic tests for impairment with our adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" on January 1, 2002. Other intangible assets with finite lives are being amortized on a straight-line basis over their estimated useful lives, which range from 5 to 17 years. In accordance with SFAS No. 142, we ceased amortization of goodwill and intangible assets with indefinite lives effective January 1, 2002. The ceasing of the amortization of such assets resulted in a reduction in amortization expense of $476 for the year ended December 31, 2002. During 2002, we evaluated the fair value of intangible assets with indefinite lives and goodwill and determined that the fair values were in excess of the carrying values of such assets. In the fourth quarter of 2003, we completed our annual tests for impairment and determined that the fair values of these net assets continue to be in excess of the carrying values of such assets.

Had we adopted SFAS No. 142 at the beginning of 2001, net income (loss) for the years ended December 31, 2003, 2002 and 2001 would have been adjusted as follows:

	2003	2002	2001
Reported net loss	$(166)	$(123)	$(264)
Add back: Goodwill amortization, net of tax of $138	—	—	206
Tradename amortization, net of tax of $53	—	—	79
Adjusted net income (loss)	$(166)	$(123)	$ 21
Earnings (loss) per share—basic and diluted:			
Reported net loss	$ (.02)	$ (.01)	$ (.03)
Goodwill amortization	—	—	.02
Tradename amortization	—	—	.01
Adjusted net loss	$ (.02)	$ (.01)	$ —

Deferred charges—Deferred charges primarily represent deferred financing costs, which are amortized over the life of the related loan. Amortization expense was $348, $260 and $220 for 2003, 2002 and 2001, respectively.

Financial Instruments—On January 1, 2001, we adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities". Under this guidance all derivative instruments, including those embedded in other contracts are recognized as either assets or liabilities and those financial instruments are measured at fair value. The accounting for changes in the fair value of derivatives depends on their intended use and designation. We recognized a transition obligation of $209, net of tax of $140, in other comprehensive loss in the first quarter ended March 31, 2001 from the adoption of SFAS 133.

We are exposed to market risk from changes in interest rates. Our policy is to manage interest rate costs using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, we may enter into interest rate swaps or other hedge type arrangements, in which we agree to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

Revenue recognition—Revenues from contracts, representing the majority of our revenues, are recognized on the percentage of completion method, measured by the percentage of contract costs incurred to date compared to estimated total contract costs for each contract. This method is used because management considers contract costs to be the best available measure of progress on these contracts. Our remaining revenues are recognized when risk and title passes to the customer, which is generally upon shipment of product.

Contract costs include direct material, labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools and repairs. Selling and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability may result in revisions to contract revenue and costs and are recognized in the period in which the revisions are made. At December 31, 2002, our reserve for estimated losses on uncompleted contracts was $123. No provision for estimated losses on uncompleted contracts was necessary at December 31, 2003.

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

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

Income taxes—Deferred taxes are determined based on the differences between the financial statement and tax bases of assets and liabilities using tax rates in effect for the year in which the differences are expected to reverse.

Advertising costs—Advertising costs are charged to operations in the year incurred and totaled $171, $153 and $109 in 2003, 2002 and 2001, respectively.

Research and development—Research and development costs are charged to expense as incurred. The amounts charged to operations were $28, $33 and $104 in 2003, 2002 and 2001, respectively.

Earnings per share—For the years ended December 31, 2003, 2002 and 2001, both basic weighted average common shares outstanding and diluted weighted average common shares outstanding were 9,852,280, 9,582,011 and 7,899,092, respectively. We consider outstanding options and warrants in computing diluted net loss per share only when they are dilutive. Options and warrants to purchase 3,453,700, 3,451,000 and 3,488,500 shares for the years ended December 31, 2003, 2002 and 2001, respectively, were not included in the computation of diluted earnings per share due to their having an anti-dilutive effect. There were no adjustments to net loss for the basic or diluted earnings per share computations for any year presented.

Stock-based compensation—We apply Accounting Principles Board Opinion No. 25 and related interpretations in the accounting for stock option plans. Under such method, compensation is measured by the quoted market price of the stock at the measurement date less the amount, if any, that the employee is required to pay. The measurement date is the first date on which the number of shares that an individual employee is entitled to receive and the option or purchase price, if any, are known. We did not incur any compensation expense in 2003, 2002 or 2001 related to our stock option plans. We adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and related pronouncements.

The following table compares 2003, 2002 and 2001 as reported to the pro forma results, considering both options and warrants discussed in Note 11, had we adopted the expense recognition provision of SFAS No. 123:

	2003	2002	2001
Net loss as reported	$ (166)	$ (123)	$ (264)
Deduct: compensation cost based on fair value recognition, net of tax	(368)	(422)	(775)
Pro forma net loss under SFAS No. 123	$ (534)	$ (545)	$(1,039)
Basic and diluted loss per share:			
As reported	$(0.02)	$(0.01)	$ (0.03)
Pro forma under SFAS No.123	(0.05)	(0.06)	(0.13)

Recent accounting pronouncements—In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," requiring that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Implementation of SFAS No. 143 is required for fiscal 2003. The adoption of this statement on January 1, 2003 did not have an effect on our financial position or results of operations.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Among other amendments to previous pronouncements, which have already taken effect, a provision in the Statement requires certain gains and losses from extinguishment of debt to be reclassified from extraordinary items. The adoption of this statement on January 1, 2003 did not have an effect on our financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which is effective for exit or disposal activities initiated after December 31, 2002. SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The adoption of this statement did not have a material impact on our financial condition or results of operations.

In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure" which we adopted January 1, 2003. The Statement provides alternative methods of transition for a voluntary change in the fair value method. We adopted the disclosure requirements effective December 31, 2002 and we are currently evaluating the voluntary change to the fair value method.

On April 30, 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, for hedging relationships designated after June 30, 2003, and to certain pre-existing contracts. We adopted SFAS No. 149 on a prospective basis at its effective date on July 1, 2003. The adoption of this statement did not have a material impact on our financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement was effective for financial instruments entered into or modified after May 31, 2003 and pre-existing instruments as of the beginning of the first interim period that commences after June 15, 2003, except for mandatorily redeemable financial instruments. Mandatorily redeemable financial instruments are subject to the provisions of this statement beginning on January 1, 2004. We have not entered into or modified any financial instruments subsequent to May 31, 2003 affected by this statement nor do we have any mandatorily redeemable financial instruments. The adoption of this statement did not have a material impact on our financial condition or results of operations.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45") "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the existing disclosure requirements for most guarantees, including loan guarantees. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations, it assumes under that guarantee. However, the provisions do not apply to product warranties or to guarantees accounted for as derivatives. The initial recognition and initial measurement provisions, which apply on a prospective basis beginning January 1, 2003, had no effect on our financial statements in 2003 because there were no guarantees issued or modified during this period. The disclosure requirements of FIN 45 were adopted December 31, 2002 and had no effect on our financial statement disclosures.

In January 2003, the FASB issued Interpretation No. 46 ("FIN 46") "Consolidation of Variable Interest Entities". FIN 46 requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. FIN 46 applies to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest in after that date. The adoption of this interpretation on January 1, 2004 currently is not expected to affect our financial condition or results of operations, as we do not have any variable interest entities.

In November 2002, the FASB's Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 00-21, Revenue Arrangements with Multiple Deliverables. EITF No. 00-21 provided guidance for revenue arrangements that involve the delivery or performance of multiple products or services where performance may

occur at different points or over different periods of time. EITF No. 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003 (i.e., our fiscal 2004). We have not yet completed our assessment of the effect of the adoption, if any, of EITF Issue No. 00-21 on our financial condition or results of operations.

In December 2003, the FASB issued FASB Statement No. 132 (Revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits. The statement increases the existing disclosure requirements by requiring more details about pension plan assets, benefit obligations, cash flows, benefit costs and related information. We are required to segregate plan assets by category, such as debt, equity and real estate, and to provide certain expected rates of return and other informational disclosures. We have adopted the disclosure requirement of SFAS No. 132 for our December 31, 2003 financial statements, and we will be required to disclose various elements of pension and postretirement benefit costs in interim period financial statements for quarters beginning after December 15, 2003 (our first quarter of fiscal 2004 ending March 31).

Reclassifications—Certain reclassifications have been made to the prior years consolidated financial statements to conform with current year presentation.

2. Financial Instruments

Our financial instruments consist primarily of investments in cash and cash equivalents, receivables and certain other assets as well as obligations under accounts payable, long-term debt and subordinated notes. The carrying values of these financial instruments approximate fair value at December 31, 2003 and 2002 except for subordinated notes which fair value was $5,560 and $4,264, at December 31, 2003 and 2002, respectively.

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

We did not hold any financial instruments for trading purposes at December 31, 2003 or 2002.

We entered into an interest rate swap agreement to convert variable rate debt to a fixed rate (see Note 9) that matured in 2002. The fair value of the swap at December 31, 2001, which was determined using discounted cash flow analysis based on current rates offered for similar issues of debt, was a liability of approximately $400 and was recorded in other liabilities and accumulated other comprehensive loss, net of tax, in the accompanying consolidated balance sheets and consolidated statements of shareholders' equity, respectively.

Concentrations of credit risk:

Financial instruments that potentially subject us to credit risk consist principally of cash and accounts receivable. We maintain cash and cash equivalents with various major financial institutions. We perform periodic evaluations of the financial institutions in which our cash is invested. Concentrations of credit risk with respect to trade and contract receivables are limited due to the large number of customers and various geographic areas. Additionally, we perform ongoing credit evaluations of our customers' financial condition.

Union Contracts:

As of December 31, 2003, the Company's continuing operations included approximately 430 employees. Approximately 300 employees are represented by international or independent labor unions, under various contracts that expire in the years 2005 through 2008.

3. Accounts Receivable

	2003	2002
Trade receivables	$ 1,536	$ 2,346
Contract receivables	10,132	9,891
Allowance for doubtful accounts	(270)	(200)
	$11,398	$12,037

Balances billed, but not paid by customers under retainage provisions in contracts, amounted to approximately $520 and $709 at December 31, 2003 and 2002, respectively. Receivables on contracts in progress are generally collected within twelve months.

Provision for doubtful accounts was approximately $201, $178 and $154 during 2003, 2002 and 2001, respectively.

4. Costs and Estimated Earnings on Uncompleted Contracts

	2003	2002
Costs incurred on uncompleted contracts	$ 38,181	$ 25,514
Estimated earnings	6,941	4,060
	45,122	29,574
Less billings to date	(41,133)	(25,939)
	$ 3,989	$ 3,635
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 5,309	$ 5,287
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,320)	(1,652)
	$ 3,989	$ 3,635

5. Inventories

	2003	2002
Raw material and subassemblies	$ 816	$1,202
Finished goods	213	251
Parts for resale	546	602
	$1,575	$2,055

6. Property and Equipment

	2003	2002
Land	$ 1,460	$ 1,597
Building and improvements	4,131	5,642
Machinery and equipment	10,412	10,369
	16,003	17,608
Less accumulated depreciation	(6,016)	(5,486)
	$ 9,987	$12,122

Depreciation expense was $1,114, $1,254 and $1,242 for 2003, 2002 and 2001, respectively.

7. Goodwill and Intangible Assets

	2003	2002
Goodwill	$9,527	$9,527
Intangible assets—finite life	$1,446	$1,446
Less accumulated amortization	(630)	(552)
	$ 816	$ 894
Intangible assets—indefinite life	$1,395	$1,395

Amortization expense was $78, $178 and $834 for 2003, 2002 and 2001, respectively, including amortization of goodwill and indefinite life intangible assets prior to 2003. Amortization of finite life intangible assets over the next five years is $79 in 2004 and 2005, and $78 in 2006 and 2007 and $77 in 2008.

8. Accounts Payable and Accrued Expenses

	2003	2002
Trade accounts payable	$ 7,845	$ 8,805
Compensation and related benefits	935	1,119
Accrued interest	1,471	869
Other accrued expenses	1,058	972
	$11,309	$11,765

9. Debt

	2003	2002
Bank credit facility	$ 9,957	$14,150
Pennsylvania Industrial Development Authority	—	134
	9,957	14,284
Less current portion	(2,094)	(2,120)
	$ 7,863	$12,164

In December 1999, we obtained a bank credit facility aggregating $33,000 consisting of $23,000 in term loans and a $10,000 revolving credit line. Interest is charged based on the bank's prime rate plus 5 percentage points (9% at December 31, 2003). The proceeds of the credit facility were used to finance the acquisition of K&B and kbd/Technic, Inc. in 1999. The proceeds of the subordinated notes (see Note 10) were used to refinance our existing indebtedness and working capital.

At December 31, 2003, the revolving credit line, as amended, permits borrowings of up to the lesser of 1) $8,000 less outstanding letters of credit, or 2) borrowings which are limited to 75% of eligible accounts receivable, plus 50% of eligible inventory, minus outstanding letters of credit. Amounts unused and available under this revolving credit facility were $4,325 and $3,127 at December 31, 2003 and 2002, respectively. Amounts borrowed were $3,675 and $4,873 at December 31, 2003 and 2002, respectively. There were no amounts outstanding under letters of credit at December 31, 2003 and 2002. The line of credit matures in 2005. The weighted average interest rates were 9.00% and 9.25% at December 31, 2003 and 2002, respectively.

The term loans consisted of a Term A and a Term B facility. Term B was paid off in May 2003. Term A quarterly principal installments were $488 beginning February 2000, increasing to $700 in February 2002 through August 2002, $524 through November 2004 and the final principal payment due January 2005. The amounts outstanding under the term loans were $6,282 and $9,277 at December 31, 2003 and 2002, respectively. The weighted average interest rates were 9.0% and 8.1% at December 31, 2003 and 2002, respectively.

The bank credit facility was amended in November 2003 by extending the maturities of the revolving line of credit and the final payment due under the term loan to January 2005. No extinguishment loss was recognized as a result of this amendment. The amendment also reduced minimum coverage requirements under several financial covenants through December 31, 2004. Various amendments were also made to the credit facility in 2002 and 2001 which were effective during and as of December 31, 2002 and 2001 reducing minimum coverage requirements under several financial covenants through December 2003, raising interest rates, reducing scheduled principal payments under the Term A loan, and extending the maturity on the revolving credit line to January 2004. In consideration for these amendments, additional fees were paid to these lenders. We would not have been in compliance with the financial covenants had the amendments not been made.

In April 1992, we obtained a loan through the Pennsylvania Industrial Development Authority, which is collateralized by a mortgage on the related land and building. Principal and interest, at an annual rate of 3%, is paid quarterly over an amortization period of fifteen years ending in 2006. We paid this loan off in May 2003.

We opted to amend the existing agreement rather than refinance the entire credit facility as discussed in the second quarter because of current market conditions. However, we will continue to monitor such market conditions and could consider refinancing alternatives in future periods.

In 2001 and through November 2002, we had a four-year interest rate swap agreement ("Swap Agreement") to manage our variable interest rate exposure, which matured in November 2002.

On May 7, 2003, we received approximately $1,600 in cash proceeds from the sale and leaseback of our Conshohocken, Pennsylvania property. Approximately, $700 was used to reduce the revolving line of credit and the balance was used to reduce term debt. In November 2003, we accepted an offer to sell our Cincinnati, Ohio property with a contemplated closing date of May 1, 2004 subject to various contingencies. If we consummate the sale, the net proceeds will reduce the amount of the credit facilities. A February 2003 agreement to sell our Cincinnati property was terminated (with the same party) in September 2003 due to the potential purchaser failing to close in accordance with the terms of the agreement.

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

December 31,	Maturities
2004	$ 2,094
2005	7,863
2006	—
2007	—
2008	—
Thereafter	—

Our property and equipment, accounts receivable, investments and inventory serve as collateral for our bank debt. Our debt agreements contain customary covenants and events of default.

10. Subordinated Notes

	2003	2002
Subordinated Notes due 2006, 12%	$4,325	$4,038
Subordinated Note due 2005, 6%	1,200	—
	$5,525	$4,038

During December 1999, as part of our refinancing activities (that were accomplished at the same time as the acquisition of K&B and kbd/Technic), we obtained $4,000 of subordinated debt financing from Green Diamond Oil Corp., a company beneficially owned by two of our major shareholders. In addition, we obtained $1,000 of subordinated debt financing with two unrelated parties. Interest on the notes accrues semi-annually at a rate of 12% per annum. The notes are subject to a subordination agreement and amendments to the bank credit facility. In connection with this agreement, accrued interest on the subordinated notes totaling $1,218 and $600 at December 31, 2003 and 2002, respectively, was not paid. However, during 2002, we paid the accrued interest of $963 at December 31, 2001 to our subordinated debt holders as a result of an amendment to our credit agreement permitting us to make such payment. The notes provide for the issuance to the holders detachable stock warrants that expire December, 2009 (see Note 11). The fair value of the warrants was determined to be $1,847 at the date of issuance and the subordinated debt was discounted by such amount. The discount is being amortized as a component of interest expense over the life of the subordination which matures in May 2006. The amortization of the discount was approximately $288, for each of the years ended December 31, 2003, 2002 and 2001, respectively. The effective annualized interest rate on the subordinated debt obligations is 17.75%, after taking into account the value of the warrants.

On September 30, 2003, $1,200 of subordinated debt was raised from a related party with a maturity of April 30, 2005 and interest rate of 6% per annum. This debt is subordinated to the bank credit facility and the subordinated debt originally issued in December 1999. The entire principal balance of this obligation will be due upon maturity. Proceeds were used to reduce the revolving line of credit.

11. Shareholders' Equity

Stock Option Plan

We maintain a stock option plan for our employees. Generally, options are exercisable one year from the date of grant, at the rate of 20% each year over the following five years and expire between five and ten years from the date of grant. There are 1,500,000 shares of our common stock that have been reserved for issuance under this plan.

The status of our stock option plan is as follows:

	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	166,000	$ 2.60	182,500	$ 2.68	154,400	$ 2.89
Granted	10,000	1.90	—	—	35,000	2.01
Forfeited	(7,300)	3.02	(16,500)	3.50	(6,900)	3.88
Outstanding, end of year	168,700	2.54	166,000	2.60	182,500	2.68
Options exercisable at year end	130,700		106,000		53,000	
Available for grant at end of year	1,331,300		1,334,000		1,317,500	

For the years ended December 31, 2003, 2002 and 2001, no compensation expense was recognized under stock-based employee compensation plans.

The range of exercise prices on shares outstanding as of December 31, 2003 was as follows:

	Outstanding			Exerciserable	
Range of Exercise Prices	Shares	Weighted Average Exercise Price	Remaining Contractual Life in Years	Shares	Weighted Average Exercise Price
$2.01 – 2.63	150,000	$ 2.37	7 – 9	112,000	$ 2.31
$3.88	18,700	$ 3.88	4	18,700	$ 3.88

The fair value of the options and warrants granted, which is amortized to expense over the option vesting period in determining the pro forma impact under SFAS No. 123, is estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions. The expected life of the options valued in 2003, 2002 and 2001 is 10 years. The risk free interest rate applicable for 2003, 2002 and 2001 was 4.5%. The expected volatility of the Company's stock used in 2003, 2002 and 2001 was .7. The expected dividend yield used in 2003, 2002 and 2001 was 0%.

The weighted average fair values at the date of grant for options and warrants granted during 2003 and 2001 was $1.43 and $2.01, respectively.

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

Employee Stock Purchase Plan

We maintain an Employee Stock Purchase Plan for all employees meeting certain eligibility criteria. Under the Plan, eligible employees may purchase through the initial twelve-month offering and through a series of semiannual offerings, each October and April, commencing October 1, 1999, shares of our common stock, subject to certain limitations. The purchase price of each share is 85% of the lesser of its fair market value on the first business day or the last business day of the offering period. The aggregate number of whole shares of common stock allowed to be purchased under the option cannot exceed 10% of the employee's base compensation. There were 250,000 shares made available for purchase under the plan. During 2003, 2002 and 2001, we issued 13,001, 12,949 and 31,500 shares, respectively, under this plan at amounts that approximated fair value.

Warrants to Purchase Common Stock

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

On December 31, 2001, we issued 706,668 shares of common stock at a price of $3.00 per share, and issued detachable stock warrants to purchase 353,334 shares of common stock at an initial exercise price of $3.60 per share to a group of accredited investors (the "Investors"). Gross proceeds of $2,120 were received from the issuance of these shares and were used to pay down the bank credit facility. The right to purchase shares under the warrants vest immediately upon the issuance of the warrants, and the warrants contain various features to protect the Investors in the event of a merger or consolidation and from dilution in the event of a stock issuance at prices below the exercise price. We prepared and filed with the SEC a registration statement within 90 days of the issuance of such warrants and caused the registration statement to become effective within 150 days of the issuance. We valued these warrants at $240 as of December 31, 2001, which is included in other liabilities in the 2001 consolidated financial statements. At December 31, 2002, the fair value of those warrants decreased to $0 and $204 was recorded as other income in the 2002 consolidated financial statements. Future increases, if any, in the fair value of these warrants will be recognized in our consolidated financial statements.

In connection with this transaction, we were required to issue additional shares based on an earnings formula computed from fiscal year 2002 results (as defined in the Investors' Subscription Agreement) to the Investors, at no additional cost to the Investors. In 2001 we valued these shares at $340, net of expenses of $102, which is included as contingent stock warrants in the accompanying consolidated financial statements. Based on the results of the earnings formula, approximately 382,000 additional shares were issued to the Investors.

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

Former K&B Shareholders

In December 1999, as part of their employment contracts, warrants were granted to three of the former owners of K&B to purchase a total of 1,000,000 shares of our common stock at an exercise price of $2.9375 per share which was the fair market value on the date granted. These warrants become exercisable at the rate of 25% per year over the four years following December 1999. The warrants have a term of ten years.

Related Party and Other

In December 1999, warrants were issued to the subordinated lenders (see Note 10) to purchase up to 1,000,000 shares (900,000 of which are related party at December 31, 2003) of our common stock for $2.25 per share which was the fair market value on the date granted. As noted above, these warrants were exercised in 2001. In connection with such warrants, the subordinated lenders were granted certain registration rights with respect to their warrants and shares of our common stock into which the warrants are convertible. Our management valued the detachable stock warrants at $1,847 and discounted the subordinated debt obligations by such amount (see Note 10) and recorded additional capital in excess of par value at December 31, 1999.

Chief Executive Officer

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

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

Treasury Stock

In 2002, we purchased 37,300 shares of our common stock as treasury shares at a total cost of $118.

12. Pension and Employee Benefit Plans

We sponsor a non-contributory defined benefit pension plan for certain union employees. The plan is funded in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

We also sponsor a post-retirement health care plan for office employees retiring before January 1, 1990. The plan allows retirees who have attained the age of 65 to elect the type of coverage desired.

The following tables set forth the plans' changes in benefit obligations, plan assets and funded status on the measurement dates, December 31, 2003 and 2002, and amounts recognized in our consolidated balance sheets as of those dates.

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 4,211	$ 3,885	$ 586	$ 619
Service cost	100	108	—	—
Interest cost	279	265	33	41
Amendment	23	—	—	—
Actuarial loss/(gain)	13	14	(4)	10
Discount rate change	389	115	—	8
Benefits paid	(190)	(176)	(84)	(92)
Projected benefit obligation at end of year	4,825	4,211	531	586
Change in plan assets:				
Fair value of plan assets at beginning of year	2,411	2,734	—	—
Actual return (loss) on plan assets	428	(409)	—	—
Employer contribution	30	262	84	92
Benefits paid	(190)	(176)	(84)	(92)
Fair value of plan assets at end of year	2,679	2,411	—	—
Funded status	(2,146)	(1,800)	(531)	(586)
Unrecognized prior service cost	67	53	—	—
Unrecognized net actuarial loss/(gain)	1,815	1,735	5	9
Accrued benefit cost	$ (264)	$ (12)	$ (526)	$ (577)
Amounts recognized in the consolidated balance sheets consist of:				
Accrued benefit cost	$ —	$ (12)	$ —	$ —
Accrued benefit liability	(1,821)	(1,493)	(526)	(577)
Intangible asset included in deferred charges and other assets	67	53	—	—
Accumulated other comprehensive income, net	1,490	1,440	—	—
Net amount recognized	$ (264)	$ (12)	$ (526)	$ (577)
Weighted-average assumptions at December 31:				
Discount rate	6.0%	6.75%	6.0%	6.75%
Expected return on plan assets	8.5%	8.5%	N/A	N/A

The accumulated benefit obligation for our defined benefit plans was $4,500 and $3,917 at December 31, 2003 and 2002, respectively. Information with respect to our plans which have accumulated benefit obligations in excess of plan assets at December 31, 2003 and 2002 is as follows:

	2003	2002
Projected benefit obligation	$4,825	$4,211
Accumulated benefit obligation	4,500	3,917
Fair value of plan assets	2,679	2,411

Based on current assumptions, estimated contributions of $854,000 may be required in 2004 for the pension plan and $86,000 for the retiree healthcare plan.

In accordance with SFAS 87, “Employers’ Accounting for Pensions”, additional liabilities to recognize the required minimum liability were as follows:

	2003	2002
Minimum liability included in other comprehensive income:		
Increase in minimum liability in other comprehensive income	$49	$753

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

The details of net periodic benefit cost for pension benefits included in the accompanying consolidated statements of operations for the years ended December 31, 2003, 2002 and 2001 are as follows:

	2003	2002	2001
Service cost	$ 100	$ 108	$ 121
Interest cost	279	265	252
Expected return on plan assets	(211)	(243)	(272)
Net amortization and deferral	114	59	6
Net periodic benefit cost	$ 282	$ 189	$ 107

The net periodic benefit cost (representing interest cost only) for the post-retirement plan included in the accompanying consolidated statements of operations was $33, $41 and $43 for the years ended December 31, 2003, 2002 and 2001, respectively.

Pension plan assets are invested in trusts comprised primarily of investments in various debt and equity funds. A fiduciary committee establishes the target asset mix and monitors asset performance. The expected rate of return on assets includes the determination of a real rate of return for equity and fixed income investment applied to the portfolio based on their relative weighting, increased by an underlying inflation rate.

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

Our defined benefit pension plan asset allocation by asset category is as follows:

	Target Allocation 2004	Percentage of Plan Assets	
		2003	2002
Asset Category:			
Equity Securities	55%	55%	51%
Debt Securities and cash	45%	45%	49%
Total	100%	100%	100%

In connection with collective bargaining agreements, we participate with other companies in defined benefit pension plans. These plans cover substantially all of our Kirk & Blum contracted union employees not covered in the aforementioned plan. If we were to withdraw from participation in these multi-employer plans, we would be required to contribute our share of the plans’ unfunded benefit obligation. We have no intention of withdrawing from any plan and, therefore, no liability has been provided in the accompanying consolidated financial statements.

Amounts charged to pension expense under the above plans including the multi-employer plans totaled $2,024, $2,019 and $2,644 for 2003, 2002 and 2001, respectively.

We sponsor a profit sharing and 401(k) savings retirement plan for K&B non-union employees. The plan covers substantially all employees who have one year of service, completed 1,000 hours of service and who have attained 21 years of age. The Plan allows us to make discretionary contributions and provides for employee salary deferrals of up to 15%. We provide matching contributions of 25% of the first 5% of employee contributions. We also have made matching contributions and discretionary contributions of $51, $65 and $203 during 2003, 2002 and 2001, respectively.

We also sponsor a 401(k) Savings and Retirement Plan which covers substantially all of CFI's employees. Under the terms of the Plan, employees can contribute between 1% and 22% of their annual compensation to the Plan. We match 50% of the first 6%. Plan expense for the years ended December 31, 2003, 2002 and 2001 was $33, $32 and $47, respectively.

13. Commitments and Contingencies

Rent

We lease certain facilities on a year-to-year basis. We also have future annual minimum rental commitments under noncancellable operating leases as follows:

December 31,	Commitment
2004	$ 571
2005	431
2006	194
2007	17

We terminated the lease of a facility from a related party, the former President and chief operating officer of Busch who is the beneficial owner of the property, with an annual base rental of $88 which expired July, 2002.

Total rent expense under all operating leases for 2003, 2002 and 2001 was $651, $668 and $470, respectively.

Non-Compete Agreement

In connection with the acquisition of Busch, we entered into a non-compete agreement with a former shareholder of Busch. In addition to the $100 paid at the closing date, the agreement required annual payments of $200 from 1998 through 2001. The related cost was amortized ratably over the four-year period. We paid an additional amount to the former shareholder of Busch in 2002 of $450 for consulting services, which had been accrued during the two-year period ended June 20, 2002.

Commitments

In November 2003, we accepted an offer to sell our Cincinnati, Ohio property with a contemplated closing date of May 1, 2004 subject to various contingencies. If we consummate the sale, the net proceeds will reduce the amount of the credit facilities. A February 2003 agreement to sell our Cincinnati property was terminated (with the same party) in September 2003 due to the potential purchaser failing to close in accordance with the terms of the agreement.

Employment Agreements

In December 1999, we entered into five-year employment agreements with three of the former owners of K&B. In 2001, these agreements were amended by extending the term one additional year. The agreements provide for annual salaries and a bonus, for each of the next five years, equal to 25% of our earnings before interest and taxes in excess of $4,000 less contributions made by us on behalf of the former owners to any profit sharing or 401(k) plan.

14. Income Taxes

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

	2003	2002	2001
Current:			
Federal	$ 16	$ 41	$ 67
State	(73)	(198)	(39)
	(57)	(157)	28
Deferred:			
Federal	(48)	(42)	106
State	43	(17)	(3)
	(5)	(59)	103
	$(62)	$(216)	$131

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

	2003	2002	2001
Tax benefit at statutory rate	$(78)	$(115)	$ (48)
Increase (decrease) in tax resulting from:			
State income tax, net of federal benefit	(20)	(142)	(28)
Permanent differences, principally goodwill and interest	34	40	157
Under accrual of prior years' taxes	2	1	50
	$(62)	$(216)	$131

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:

	2003	2002
Current deferred tax assets (liabilities) attributable to:		
Accrued expenses	$ 216	$ 286
Deferred state taxes	301	286
Reserves on assets	114	84
Inventory	(938)	(783)
Current deferred tax asset (liability) (included in accounts payable and accrued expenses in the consolidated balance sheets)	(307)	(127)
Noncurrent deferred tax assets (liabilities) attributable to:		
Depreciation	(3,589)	(3,627)
Goodwill and intangibles	(1,320)	(1,291)
Other liabilities	346	282
Non-compete agreement	272	297
Minimum pension liability	596	576
Federal and state net operating loss carryforwards	401	219
AMT credit carryforward	104	79
Other	5	75
Net noncurrent deferred income tax liability	(3,185)	(3,390)
Net deferred tax liability	$(3,492)	$(3,517)

Gross deferred tax assets were $2,355 and $2,184 at December 31, 2003 and 2002, respectively. Gross deferred tax liabilities were $5,847 and $5,701 at December 31, 2003 and 2002, respectively.

We have Federal net operating loss carryforwards of $702 at December 31, 2003 to be utilized in future years, which begin to expire in 2020. Additionally, we have state net operating loss carryforwards of $880 at December 31, 2003.

We file a consolidated Federal income tax return.

15. Related Party Transactions

During 2003, we reimbursed Green Diamond Oil Corp. $5 per month for use of the space and other office expenses of our Toronto office. In 2003, 2002 and 2001, reimbursements were $60, $60 and $60, respectively. During 2003 and 2002, we paid fees of $250 and $250, respectively, to Green Diamond for management consulting services. These services were provided by Phillip DeZwirek, the Chief Executive Officer and Chairman of our Board, through Green Diamond. During 2001, the Company advanced $337 to Green Diamond, which was repaid in March 2002.

16. Backlog of Uncompleted Contracts from Continuing Operations

Our backlog of uncompleted contracts from continuing operations was $7,268 and $14,607, at December 31, 2003 and 2002, respectively.

17. Quarterly Financial Data (unaudited)

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

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year ended December 31, 2003					
Net Sales	$15,201	$17,754	$17,039	$18,971	$68,965
Income from operations	124	220	661	829	1,834
Net income (loss)	(249)	(82)	237	(72)	(166)
Basic and diluted earnings (loss) per share	(0.03)	(0.01)	0.02	(0.01)	(0.02)
Year ended December 31, 2002					
Net Sales(1) (2)	$18,879	$18,586	$19,581	$21,831	$78,877
Income from operations	299	131	518	1,253	2,201
Net income (loss)	(197)	(205)	61	218	(123)
Basic and diluted earnings (loss) per share	(0.02)	(0.02)	0.01	0.02	(0.01)

(1) Includes $160 and $90 during the third and fourth quarters, respectively, from the sale of APC's operating assets.
(2) Includes $220 during the fourth quarter from a 2001 contract claim recovery.

Exhibit 10.31

NEITHER THIS NOTE NOR ANY SECURITIES WHICH MAY BE ISSUED UPON THE EXERCISE OF THE WARRANTS HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR OTHERWISE QUALIFIED UNDER ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY SUCH SECURITIES MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND REGISTRATION OR OTHER QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION OR OTHER QUALIFICATION IS NOT REQUIRED.

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

CECO Environmental Corp.

SECOND AMENDED AND RESTATED REPLACEMENT

PROMISSORY NOTE

$4,000,000 May 28, 2002

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

WHEREAS, the terms of the Advance are set forth in an Amended and Restated Replacement Promissory Note dated May 1, 2001 (the "Prior Note"), which Prior Note shall be cancelled and replaced by this Amended and Restated Replacement Promissory Note.

WHEREAS, Green Diamond had the Prior Note held in the name of Taurus Capital Markets Ltd. and now desires to hold this Note in its own name;

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a Delaware corporation, hereby promises to pay to the order of Green Diamond Oil Corp. or registered assigns ("Holder"), the principal sum of FOUR MILLION DOLLARS ($4,000,000) on the Maturity Date, as defined in Section 1 below. This Note is part of a series of Notes of like tenor and effect to this Note in the aggregate principal amount of $5,000,000 to be issued in connection with a mezzanine financing by the Company (the "1999 Subordinated Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) six and one-half (6 1/2) years from December 7, 1999; (ii) six (6) months after repayment of the Superior Debt (as defined in Section 8 below); or (iii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of twelve percent (12%) per annum from the date hereof. Accrued Interest shall be due and payable on June 30 and December 31 of each year commencing June 30, 2000 and on the Maturity Date. Notwithstanding the foregoing, interest due under this note on June 30, 2000 and December 31, 2000, will be paid in accordance with the terms of the Subordination Agreement. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement. In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the principal executive office of the Company, or such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 13.5, then to interest and the remainder to principal.

4. Registration, Transfer and Exchange of Notes. The Company will keep at its principal office a register in which it will provide for the registration of and transfer of this Note, at its own expense (excluding transfer taxes). If any Note is surrendered at said office or at the place of payment named in the Note for registration of transfer or exchange (accompanied in the case of registration of transfer or exchange by a written instrument of transfer in form satisfactory to the Company duly executed by or on behalf of the holder), the Company, at its expense, will deliver in exchange one or more new Notes in denominations of $10,000 or larger multiples of $1,000, as requested by the holder for the aggregate unpaid principal amount. Any Note or Notes issued in a

transfer or exchange shall carry the same rights to increase Notes surrendered. The Holder agrees that prior to making any sale, transfer, pledge, assignment, hypothecation, or other disposition (each, a "Transfer") of the Note, the Holder shall give written notice to the Company describing the manner in which any such proposed Transfer is to be made and providing such additional information and documentation regarding the Transfer as the Company reasonably requests. If the Company so requests, the Holder shall at his expense provide the Company with an opinion of counsel (which counsel must be reasonably satisfactory to the Company, to the holder, in form and substance satisfactory to the Company) that the proposed Transfer complies with applicable federal and state securities laws. The Company shall have no obligation to Transfer any Notes unless the holder thereof has complied with the foregoing provisions, and any such attempted Transfer shall be null and void.

5. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, such Note and for all other purposes.

6. Prepayment.

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

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

6.3 Cessation of Rights. From and after the Prepayment Date, unless there has been a default under the Prepayment Notice, all interest on the redeemed principal amount

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

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

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

8. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December 7, 1999 ("Superior Debt") among the Company as guarantor, the borrowers CECO Group Inc., CECO Filters, Inc., Air Purator Corporation, New Bush Co., Inc., U.S. Facilities Management, Inc., The Kirk & Blum Manufacturing Company, and kbd/Technic, Inc., and the lenders PNC Bank, National Association and various other financial institutions, upon the terms and conditions contained in the Subordination Agreement between Green Diamond Oil Corp., Harvey Sandler, ICS Trustee Services Ltd., and PNC Bank, National Association and various other financial institutions dated December 7, 1999 (the "Subordination Agreement").

9. Repayment of Notes. In the event the Company completes an equity financing or offering or a series of equity financing or offerings for a total consideration in excess of $10,000,000, then twenty-five percent (25%) of all such consideration in excess of $10,000,000 shall be used immediately, upon receipt by the Company, to pre-pay the 1999 Subordinated Notes, provided such prepayment shall be made proportionately among the 1999 Subordinated Notes until the 1999 Subordinated Notes are paid in full.

10. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holders of a majority of the aggregate principal amount outstanding of the 1999 Subordinated Notes ("Majority Holders"):

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

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

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

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

11. Events of Default.

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Miscellaneous.

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

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

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

If to the Company: CECO Environmental Corp.
505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
CANADA
Attention: Phillip DeZwirek

And if to the Holder, to the address or facsimile number of Holder as set forth on the Company's records, or such other address as the Holder has provided to the Company by notice duly given.

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

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

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

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

to become liable hereunder or against the security in order to enforce the payment of this Note and (e) agree that, notwithstanding the occurrence of any of the foregoing (except by the express written release by Holder of any such person), the Company shall be and remain, directly and primarily liable for all sums due under this Note.

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

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

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

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

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

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

PROCEEDING; AND (C) WAIVE ANY OBJECTION WHICH IT OR THEY MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION, OR PROCEEDING IN ANY OF SUCH COURTS.

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

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

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek
Chief Executive Officer

Exhibit 10.33

NEITHER THIS NOTE NOR ANY SECURITIES WHICH MAY BE ISSUED UPON THE EXERCISE OF THE WARRANTS HEREOF HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR REGISTERED OR OTHERWISE QUALIFIED UNDER ANY STATE SECURITIES LAW. NEITHER THIS NOTE NOR ANY SUCH SECURITIES MAY BE SOLD OR OFFERED FOR SALE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND REGISTRATION OR OTHER QUALIFICATION UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION OR OTHER QUALIFICATION IS NOT REQUIRED.

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

CECO Environmental Corp.

SECOND AMENDED AND RESTATED REPLACEMENT

PROMISSORY NOTE

$500,000 May 28, 2002

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

WHEREAS, the terms of the Advance are set forth in an Amended and Restated Replacement Promissory Note dated May 1, 2001 (the “Prior Note”), which Prior Note shall be cancelled and replaced by this Second Amended and Restated Replacement Promissory Note.

WHEREAS, ICS Trustee Services Ltd. had the Prior Note held in the name of Taurus Capital Markets Ltd. and now desires to hold this Note in its own name;

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

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) six and one-half (6 1/2) years from December 7, 1999; (ii) six (6) months after repayment of the Superior Debt (as defined in Section 8 below); or (iii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of twelve percent (12%) per annum from the date hereof. Accrued Interest shall be due and payable on June 30 and December 31 of each year commencing June 30, 2000 and on the Maturity Date. Notwithstanding the foregoing, interest due under this note on June 30, 2000 and December 31, 2000, will be paid in accordance with the terms of the Subordination Agreement. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement. In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the principal executive office of the Company, or such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 13.5, then to interest and the remainder to principal.

4. Registration, Transfer and Exchange of Notes. The Company will keep at its principal office a register in which it will provide for the registration of and transfer of this Note, at its own expense (excluding transfer taxes). If any Note is surrendered at said office or at the place of payment named in the Note for registration of transfer or exchange (accompanied in the case of registration of transfer or exchange by a written instrument of transfer in form satisfactory to the Company duly executed by or on behalf of the holder), the Company, at its expense, will deliver in exchange one or more new Notes in denominations of $10,000 or larger multiples of $1,000, as requested by the holder for the aggregate unpaid principal amount. Any Note or Notes issued in a

transfer or exchange shall carry the same rights to increase Notes surrendered. The Holder agrees that prior to making any sale, transfer, pledge, assignment, hypothecation, or other disposition (each, a "Transfer") of the Note, the Holder shall give written notice to the Company describing the manner in which any such proposed Transfer is to be made and providing such additional information and documentation regarding the Transfer as the Company reasonably requests. If the Company so requests, the Holder shall at his expense provide the Company with an opinion of counsel (which counsel must be reasonably satisfactory to the Company, to the holder, in form and substance satisfactory to the Company) that the proposed Transfer complies with applicable federal and state securities laws. The Company shall have no obligation to Transfer any Notes unless the holder thereof has complied with the foregoing provisions, and any such attempted Transfer shall be null and void.

5. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, such Note and for all other purposes.

6. Prepayment.

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

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

6.3 Cessation of Rights. From and after the Prepayment Date, unless there has been a default under the Prepayment Notice, all interest on the redeemed principal amount

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

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

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

8. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December 7, 1999 ("Superior Debt") among the Company as guarantor, the borrowers CECO Group Inc., CECO Filters, Inc., Air Purator Corporation, New Bush Co., Inc., U.S. Facilities Management, Inc., The Kirk & Blum Manufacturing Company, and kbd/Technic, Inc., and the lenders PNC Bank, National Association and various other financial institutions, upon the terms and conditions contained in the Subordination Agreement between Green Diamond Oil Corp., Harvey Sandler, ICS Trustee Services Ltd., and PNC Bank, National Association and various other financial institutions dated December 7, 1999 (the "Subordination Agreement").

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10. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holders of a majority of the aggregate principal amount outstanding of the 1999 Subordinated Notes ("Majority Holders"):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If to the Company: CECO Environmental Corp.
505 University Avenue, Suite 1400
Toronto, Ontario M5G 1X3
CANADA
Attention: Phillip DeZwirek

And if to the Holder, to the address or facsimile number of Holder as set forth on the Company's records, or such other address as the Holder has provided to the Company by notice duly given.

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

to become liable hereunder or against the security in order to enforce the payment of this Note and (e) agree that, notwithstanding the occurrence of any of the foregoing (except by the express written release by Holder of any such person), the Company shall be and remain, directly and primarily liable for all sums due under this Note.

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

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

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

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

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

ACTION OR PROCEEDING; AND (C) WAIVE ANY OBJECTION WHICH IT OR THEY MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH SUIT, ACTION, OR PROCEEDING IN ANY OF SUCH COURTS.

13.14 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

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

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip DeZwirek

Phillip DeZwirek
Chief Executive Officer

Exhibit 10.45

THIS NOTE IS SUBJECT TO THE TERMS OF THE SUBORDINATION AGREEMENT (AS DEFINED HEREIN IN SECTION 6) IN FAVOR OF PNC BANK, NATIONAL ASSOCIATION, AS AGENT FOR CERTAIN BANKS. NOTWITHSTANDING ANY CONTRARY STATEMENT CONTAINED IN THE WITHIN INSTRUMENT, NO PAYMENT ON ACCOUNT OF ANY OBLIGATION ARISING FROM OR IN CONNECTION WITH THIS INSTRUMENT OR ANY RELATED AGREEMENT (WHETHER OF PRINCIPAL, INTEREST OR OTHERWISE) SHALL BE MADE, PAID, RECEIVED OR ACCEPTED EXCEPT IN ACCORDANCE WITH THE TERMS OF THE SUBORDINATION AGREEMENT.

CECO Environmental Corp.

PROMISSORY NOTE

$1,200,000 September 30, 2003

FOR VALUE RECEIVED, the undersigned, CECO Environmental Corp. (the "Company"), a Delaware corporation, hereby promises to pay to the order of Green Diamond Oil Corp. or registered assigns ("Holder"), the principal sum of ONE MILLION TWO HUNDRED THOUSAND DOLLARS ($1,200,000.00) on the Maturity Date, as defined in Section 1 below. This Note is subordinate to certain bank financing of the Company further described herein and to a series of promissory notes in the original principal amount of $5,000,000 originally issued on December 2, 1999 and subsequently amended and restated (the "December 1999 Notes").

1. Maturity. This Note shall be due and payable upon the earlier to occur of the following events (the "Maturity Date"): (i) April 30, 2005 or (ii) the closing (any such closing referred to as the "Closing") of a Sale Transaction. For purposes of this Note, a Sale Transaction shall mean (i) a merger, consolidation, corporate reorganization, or sale of shares of stock of the Company as a result of which there is a change in control and/or the shareholders of the Company on the date hereof ("Current Shareholders") own 50% or less of the outstanding shares of the Company on a fully-diluted basis immediately after the transaction and, including as outstanding for purposes of such calculation, any warrants, options or other instruments convertible or exchangeable into equity securities of the Company issued to persons other than the Current Shareholders in connection with the transaction or (ii) the sale of (A) fifty percent or more of the assets of the Company or (B) any subsidiary, division or line of business of the Company for total consideration in excess of $5 million.

2. Interest. Interest shall accrue on the unpaid principal balance hereof and on any interest payment that is not made when due at the simple compounded rate of six percent (6%) per annum from the date hereof. Accrued interest shall be due and payable on March 31 and September 30 of each year commencing March 31, 2004 and on the Maturity Date. It shall not be a default hereunder and interest will not accrue on any portion of such interest payments deferred pursuant to

the Subordination Agreement ("Deferred Interest") so long as the Deferred Interest is paid at the time and in the manner allowed by the Subordination Agreement (as defined herein). In the Event of Default (as defined herein), interest shall accrue on all unpaid amounts due hereunder including without limitation, interest, at the rate of fifteen percent (15%) per annum. If a judgment is entered against the Company on this Note, the amount of the judgment so entered shall bear interest at the highest rate authorized by law as of the date of the entry of the judgment.

3. Payments. Payments of both principal and interest shall be made at the Company's office in Toronto, Ontario, or such other place as the holder hereof shall designate to the Company in writing, in lawful money of the United States of America.

So long as no Event of Default has occurred in this Note, all payments hereunder shall first be applied to interest, then to principal. Upon the occurrence of an Event of Default in this Note, all payments hereunder shall first be applied to costs pursuant to Section 10.5, then to interest and the remainder to principal.

4. Registered Owner. Prior to due presentation for registration of transfer, the Company may treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of, and interest on, such Note and for all other purposes.

5. Prepayment.

5.1 Optional Prepayment. The Company, at its option and without any premium, may prepay in whole or in part the principal amount of this Note at any time. The Company shall, at the time of any such prepayment, pay to the holder of this Note all interest accrued and unpaid to the Prepayment Date (defined below). Notwithstanding the foregoing, once a notice of the Closing of a Sale Transaction pursuant to Section 10.4 has been sent to the Holder, the Company may not prepay this Note prior to the Closing of a Sale Transaction, or until the Sale Transaction has been formally abandoned.

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

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

6. Subordination. The indebtedness evidenced by this Note shall at all times be wholly subordinate and junior in right of payment to all obligations of the Company under or in connection with the Credit Agreement dated December 7, 1999, and all amendments thereto ("Superior Debt") among the Company as guarantor, the borrowers CECO Group Inc., CECO Filters, Inc., Air Purator Corporation, New Bush Co., Inc., The Kirk & Blum Manufacturing Company, kbd/Technic, Inc., and CECO Abatement Systems and the lenders PNC Bank, National Association and various other financial institutions, upon the terms and conditions contained in the Subordination Agreement between Green Diamond Oil Corp., Harvey Sandler, ICS Trustee Services, Ltd., and PNC Bank, National Association and various other financial institutions dated December 7, 1999 (the "Subordination Agreement"). This Note also is subordinate to the December 1999 Notes, and no payments of principal or interest shall be made under this Note, if an Event of Default (as defined in the December 1999 Notes) is existing under any of the December 1999 Notes.

7. Covenants of the Company. The Company covenants and agrees that it shall not, without the prior written approval of the Holder:

7.1 Obtain or incur any indebtedness or other monetary obligations that are senior to or on parity with this Note, other than the Superior Debt and the December 1999 Notes.

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

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

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

8. Events of Default.

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

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

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

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

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

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

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

9. Investment Representations of the Holder. With respect to the purchase of this Note, the Holder hereby represents and warrants to the Company as follows:

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

9.2 Status. The Holder is an "accredited investor" within the meaning of Regulation D, Section 501(a), promulgated by the Securities and Exchange Commission, and is acquiring this Note for investment for its own account, not as a nominee or agent, and not with a view to, or for resale or transfer.

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

10. Miscellaneous.

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

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

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

If to the Holder:	Green Diamond Corp. 505 University Avenue, Suite 1400 Toronto, Ontario M5G 1X3 Canada Attention: Phillip DeZwirek
If to the Company:	CECO Environmental Corp. 3120 Forrer Street Cincinnati, Ohio 45209 Attention: Marshall Morris

10.4 Notice of a Sale Transaction. The Company shall give the Holder of this Note notice of the Closing of a Sale Transaction at least thirty (30) days prior to such Closing.

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

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

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

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

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

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

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

10.12 No Waiver by Holder. The acceptance by Holder of any payment under this Note which is less than the amount then due or the acceptance of any amount after the due date thereof, shall not be deemed a waiver of any right or remedy available to Holder nor nullify the prior exercise of any such right or remedy by Holder. None of the terms or provisions of this Promissory Note may be waived, altered, modified or amended except by a

written document executed by Holder and then only to the extent specifically recited therein. No course of dealing or conduct shall be effective waive, alter, modify or amend any of the terms or provisions hereof. The failure or delay to exercise any right or remedy available to Holder shall not constitute a waiver of the right of the Holder to exercise the same or any other right or remedy available to Holder at that time or at any subsequent time.

10.13 Waiver of Trial by Jury. HOLDER AND BORROWER HEREBY KNOWINGLY, IRREVOCABLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION, PROCEEDING OR COUNTERCLAIM BASED ON THIS NOTE, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION THEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR HOLDER TO MAKE THE LOAN EVIDENCED BY THIS NOTE.

CECO ENVIRONMENTAL CORP.

By: /s/ Marshall J. Morris

Marshall J. Morris

Title: Vice President-Finance and Administration
and Chief Financial Officer

Exhibit 10.46

INTERCREDITOR AGREEMENT

This Intercreditor Agreement ("Agreement") is made as of this /13th/ day of November, 2003, by and among PNC BANK, NATIONAL ASSOCIATION ("PNC"), FIFTH THIRD BANK ("Fifth Third") and BANK ONE, NA ("Bank One") (PNC, Fifth Third and Bank One, collectively, "Banks" and individually "Bank").

A. By Credit Agreement dated December 7, 1999 ("Credit Agreement"), the Banks agreed to make, and have made, certain loans to CECO Group, Inc., CECO Filters, Inc., Air Purator Corporation, New Busch Co., Inc., the Kirk & Blum Manufacturing Company, KBD/Technic, Inc. and CECO Abatement Systems, Inc. (collectively "Borrowers").

B. The Credit Agreement has been amended seven times and, as of even date herewith, an Eighth Amendment to Credit Agreement is being executed (the Credit Agreement as so amended the "Amended Credit Agreement").

C. The remaining loans which exist under the Amended Credit Agreement are a Revolving Credit Loan pursuant to which the Revolving Credit Commitment is $8,000,000 ("Revolving Credit Loan") and the Term Loan A, which has a principal balance due as of the date hereof of $6,805,880 ("Term Loan A") (the Revolving Credit Loan and Term Loan A, collectively, the "Loans").

D. The Loans are secured by various mortgages on real property and security interest in, and pledges of, personal property, pursuant to various mortgages, security agreements and pledge agreements (collectively "Security Documents").

E. Pursuant to the Amended Credit Agreement, the Banks, each have commitments to fund one-third of the amounts required to fund the Revolving Credit Loan. To date, each of the Banks has funded its commitment under the Revolving Credit Loan and has received payments so that each is owed one-third of the outstanding principal balance of the Revolving Credit Loan. The Revolving Credit Loan is evidence by three Revolving Credit Notes, one to each Bank (each a "Revolving Credit Note" and together the "Revolving Credit Notes"). Each of the Banks has funded one-third of Term Loan A and has received one-third of each payment on Term Loan A so that each Bank is owed one-third of the outstanding principal balance of Term Loan A. Term Loan A is evidenced by three Term Loan A Notes (each a "Term Loan A Note" and collectively "Term Loan A Notes").

F. The Banks have agreed to reorganize the lending relationship which exists under the Amended Credit Agreement so that Fifth Third becomes the sole lender under the Revolving Credit Loan and PNC and Bank One become the only, and equal, lenders under Term Loan A.

G. The purpose of this Agreement is to set forth the terms of the reorganization of the lending relationship under the Amended Credit Agreement.

Agreement

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Banks, the Banks agree as follows:

1. Definitions. Unless defined in this Agreement, capitalized words and phrases used in this Agreement which are defined in the Amended Credit Agreement shall have the meanings ascribed to them in the Amended Credit Agreement.

2. Revolving Credit Loan. In exchange for the payment of $_____, each, the receipt of which is hereby acknowledged by PNC and Bank One, PNC and Bank One hereby assign to Fifth Third all of their respective rights and obligations with respect to the Revolving Credit Loan. Simultaneously with the execution and delivery of this Agreement, PNC and Bank One shall deliver to Fifth Third their respective original Revolving Credit Notes, endorsed payable to Fifth Third Bank, without recourse, by duly authorized officers of PNC and Bank One. By executing this Agreement, Fifth Third agrees to be responsible for the Revolving Credit Commitment of all of the Banks under the Amended Credit Agreement, from and after the date of this Agreement, and to indemnify and hold harmless PNC and Bank One with regard to any claims by Borrowers resulting from the failure of Fifth Third to fulfill any obligations of the Banks with respect to the Revolving Credit Loan which occurs on or after the date of this Agreement.

3. Term A Loan. In exchange for the payment of $_____, each, by PNC and Bank One, the receipt of which is hereby acknowledged by Fifth Third, Fifth Third hereby assigns to PNC and Bank One (one-half to each) all of Fifth Third's interest in Term Loan A. Simultaneously with the execution and delivery of this Agreement, Fifth Third shall deliver to PNC and Bank One, Fifth Third's original Term Loan A Note, endorsed payable to PNC and Bank One, equally, without recourse, by a duly authorized officer of Fifth Third.

4. Collateral. The Banks acknowledge that all collateral is held pursuant to Security Documents which name PNC, as Agent, as the secured party and that PNC is holding such collateral as Agent for the Banks under the Amended Credit Agreement. The Banks agree that to avoid the cost of assigning the Security Documents, PNC will continue to hold such collateral as Agent for the Banks under the Amended Credit Agreement, but that the relationship between the Banks as to the collateral shall be revised in the manner set forth below. From and after the date of this Agreement, PNC and Bank One, equally, shall have, as security for the Borrowers' obligations under Term Loan A, the first priority lien and security interest in all real property and equipment which is collateral for the Loans under the Amended Credit Agreement and a second priority lien and security interest in all other collateral for the Loans under the Amended Credit Agreement and Fifth Third will have, as security for the Borrowers' obligations under the Revolving Credit Loan, a second priority lien and security interest in all real property and equipment which is collateral for the Loans under the Amended Credit Agreement and a first priority lien and security interest in all other collateral for the Loans under the Amended Credit Agreement. Upon the occurrence of an Event of Default under the Amended Credit Agreement, PNC and Bank One shall share equally in the proceeds of any sale or other disposition of all real property and equipment collateral for the Loans under the Amended

Credit Agreement, until such time they are paid in full all amounts due to them under Term Loan A. Any proceeds in excess of the amount due to PNC and Bank One as provided in the proceeding sentence shall be payable to Fifth Third, if necessary, to pay amounts due to Fifth Third under the Revolving Credit Loan. Upon the occurrence of an Event of Default under the Amended Credit Agreement, Fifth Third shall be entitled to the proceeds of any sale or other disposition of all collateral, other than the real property and equipment collateral, which is security for the Loans under the Amended Credit Agreement, until Fifth Third is paid in full all amounts due to Fifth Third under the Revolving Credit Loan. Any proceeds in excess of the amounts due to Fifth Third as provided in the preceding sentence shall be payable equally to PNC and Bank One, if necessary to pay amounts due to them under Term Loan A. To the extent that the foregoing terms are inconsistent with the terms of the Amended Credit Agreement, and in particular Section 7.2(d) and (e) of the Amended Credit Agreement, the terms of the Amended Credit Agreement are hereby amended.

5. Voluntary Repayments. Neither PNC nor Bank One shall accept any voluntary prepayment of Principal of Term Loan A other than in conjunction with the payment in full of Borrowers' obligations under the Revolving Credit Loan or the sale of the real property and equipment collateral on which PNC and Bank One have the primary lien and security interest pursuant to paragraph 4 above without the prior written consent of Fifth Third. Fifth Third will not reduce the Revolving Credit Commitment without the prior written consent of PNC and Bank One so long as Term Loan A is outstanding.

6. Agent. Under the Credit Agreement, PNC is Agent for the Banks. Effective on the date of this Agreement, except as noted in the following sentence, Fifth Third shall be Agent for the Banks under the Amended Credit Agreement. PNC shall continue to be Agent for the Banks solely for the purpose of holding collateral as security for the Loans under the Amended Credit Agreement.

7. Relationship to Amended Credit Agreement. This Agreement amends certain provisions of the Amended Credit Agreement as among the Banks. As among the Banks, in the event of any inconsistency between this Agreement and the Amended Credit Agreement, this Agreement shall be controlling and the Amended Credit Agreement shall be deemed to be amended hereby.

8. Modifications in Writing. No amendment, modification, supplement, termination, consent or waiver of, or to, any provision of this Agreement, nor any consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by or on behalf of each of the Banks. Any waiver of any provision of this Agreement, or any consent to any departure from the terms of any provisions of this Agreement shall be effective only in the specific instance and for the specific purposes for which given.

9. Waivers, Failure or Delay. No failure or delay on the part of any Bank in the exercise of any power, right, remedy or privilege under this Agreement shall impair such power, right, remedy or privilege or shall operate as a waiver thereof; nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise of any other power, right or privilege. The waiver of any such right, power, remedy or privilege with respect to particular facts and circumstances shall not be deemed to be a waiver with respect to other facts and circumstances.

10. Notices and Communications. All notices, demands, instructions, and other communications required or permitted to be given to or made upon any Bank shall be in writing and shall be delivered or sent by first-class mail, postage prepaid, or via overnight courier or hand delivered or delivered by facsimile transmission, and shall be deemed to be given for the purposes of this Agreement on the day that such writing is properly dispatched in accordance with the terms hereof to the intended recipient. Unless such address is changed in a notice mailed or delivered in accordance with the foregoing provisions of this Section, notices, demands, instructions and other communications in writing shall be given to or made upon the Banks at their respective addresses indicated on the signature pages hereof.

11. Headings. Section headings used in this Agreement are for convenience of reference only and shall not constitute a part of this Agreement for any purpose or affect the construction of this Agreement.

12. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different Banks on separate counterparts, each of which counterpart, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same Agreement. This Agreement shall become effective upon execution and delivery of a counterpart hereof by each of the Banks.

13. Severability of Provisions. Any provision of this Agreement which is illegal, invalid, prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity, prohibition, or unenforceability, without invalidating or impairing the remaining provisions hereof, or affecting the validity or enforceability for such provisions in any other jurisdiction.

14. Complete Agreement. This Agreement is intended by the parties as the final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement.

15. Successors and Assigns. This Agreement is binding upon and inures to the benefit of the successors and assigns of each of the Banks. Each of the Banks agrees to maintain a copy of this Agreement together with its copies of the Amended Credit Agreement and other documents relating thereto. Each of the Banks expressly reserves its right to transfer or assign its interest, in whole or in part, together with its rights hereunder, provided that, prior to transferring or assigning any interest to any person or entity, each of the Banks shall disclose to such person or entity the existence and contents of this Agreement, shall provide such person or entity a complete and legible copy hereof, and shall advise such person or entity that such Bank’s interests are subject to the terms hereof.

16. Applicable Law and Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio. The parties consent to venue as to any matter arising from or relating to this Agreement in Cincinnati, Hamilton County, Ohio.

17. Representations. Each Bank represents and warrants to the other Banks that (a) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all requisite action, and do not and will not contravene the organizational or governance documents, any laws or any agreement or undertaking to which it is a party or by which it is bound and (b) this Agreement is a legally binding obligation of such Bank, enforceable against such Bank in accordance with its terms.

18. Jury Wavier. Each Bank hereby voluntarily, irrevocably and unconditionally waives any right to have a jury participate in resolving any disputes, whether sounding in contract, tort, or otherwise, between the Banks, arising out of, in connection with, relating to, or incidental to, the relationship established under this Agreement, or any other agreement or document executed or delivered in connection herewith or the transactions between them related hereto.

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

PNC BANK, NATIONAL ASSOCIATION

By: /s/ William C. Miles

Name: William C. Miles
Its: Vice President

Address
201 E. Fifth Street
Cincinnati, OH 45202
Fax No.: 513-651-8691

FIFTH THIRD BANK

By: /s/ David G. Fuller

Name: David G. Fuller
Its: Vice President

Address
Fifth Third Center
MD 109052
Cincinnati, OH 45263
Fax No.: 513-534-8420

BANK ONE, NA

By: /s/ Jeffrey C. Nicholson

Name: Jeffrey C. Nicholson
Its: First Vice President

Address
100 East Broad Street
Columbus, Ohio 43271-0225
Fax No.: 614-248-6438

ACKNOWLEDGMENT AND AGREEMENT OF BORROWERS

Borrowers hereby acknowledge this Agreement; agree that Borrowers shall have no rights against PNC or Bank One arising from any failure by Fifth Third to fulfill any obligations of the Banks with respect to the Revolving Credit Loan which occurs on or after the date of this Agreement; agree that they will not make any voluntary prepayments of principal of Term Loan A other than in conjunction with the payment in full of Borrowers' obligations under the Revolving Credit Loan or the sale of the real property and equipment collateral on which PNC and Bank One have the primary lien and security interest pursuant to paragraph 4 above; and agree that this Agreement shall amend the Amended Credit Agreement to the extent contemplated by paragraph 7 of this Agreement.

CECO GROUP, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: CFO

CECO FILTERS, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

AIR PURATOR CORPORATION

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: President

NEW BUSCH CO., INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

THE KIRK & BLUM MANUFACTURING COMPANY

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

KBD/TECHNIC, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

CECO ABATEMENT SYSTEMS, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

Exhibit 10.47

EIGHT AMENDMENT TO CREDIT AGREEMENT

This EIGHTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is made as of the /13th/ day of November, 2003 by and among CECO GROUP, INC., CECO FILTERS, INC., AIR PURATOR CORPORATION, NEW BUSCH CO., INC., THE KIRK & BLUM MANUFACTURING COMPANY, KBD/TECHNIC, INC. and CECO ABATEMENT SYSTEMS, INC. (the "Borrowers"), and PNC BANK, NATIONAL ASSOCIATION ("PNC"), individually and as agent (in such capacity, the "Agent") and FIFTH THIRD BANK ("Fifth Third") individually, and BANK ONE, NA ("Bank One"), individually (PNC, Fifth Third and Bank One, and their respective successors and assigns, collectively, the "Banks").

BACKGROUND

A. The Agent, the Banks and the Borrowers are parties to a Credit Agreement dated as of December 7, 1999 ("Credit Agreement") as amended by Amendment to Credit Agreement, dated as of March 28, 2000, by Second Amendment to Credit Agreement dated as of November 10, 2000, by Third Amendment to Credit Agreement dated as of March 30, 2001, by Fourth Amendment to Credit Agreement dated as of August 20, 2001, by Fifth Amendment to Credit Agreement dated as of March 27, 2002, by Sixth Amendment to Credit Agreement dated as of May 14, 2002 and by Seventh Amendment to Credit Agreement dated as of November 13, 2002 (as amended, the "Amended Credit Agreement").

B. The Banks by separate Intercreditor Agreement, dated as of the date hereof, agree to modify their positions so that from and after the date hereof, Fifth Third Bank will be solely responsible for the Revolving Credit Commitment and will have no interest in the Term Loans (now only Term Loan A) and PNC and Bank One will own, on an equal basis, the Term Loan and Fifth Third Bank will become Agent for all purposes under the Credit Agreement, except for being the mortgagee, pledgee or secured party under existing mortgages, pledges or security agreements, given to secure the Loans made pursuant to the Amended Credit Agreement.

C. Borrowers and Guarantors are willing to consent to the modification of positions of the Bank as discussed in B. above and further wish to amend the Amended Credit Agreement on the terms and conditions set forth herein.

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

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

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

(a) Beginning on the date hereof, except as noted in the following sentence, Fifth Third is substituted for PNC as Agent under the Amended Credit Agreement. PNC will continue to act as Agent for the Banks with respect to the mortgages, pledges, security agreements, financing statements and any other documents involving collateral for the Loans. The parties to this Amendment consent to the foregoing.

(b) The definitions of "Termination Date" as set forth in Section 1.1 of the Credit Agreement and as revised in the Fourth Amendment to Credit Agreement and the Seventh Amendment to Credit Agreement shall be deleted and shall be replaced with the following:

"Termination Date". January 1, 2005.

(c) From and after the date hereof all rights and obligations of the Banks with respect to the Revolving Credit Loans shall be rights and obligations of Fifth Third only and all rights and obligations of the Banks with respect to Term Loan A (the one remaining of the Term Loans) shall be the rights and obligations of PNC and Bank One, equally. At or prior to the date hereof, PNC and Bank One shall each assign its respective Revolving Credit Note to Fifth Third, without recourse, and Fifth Third shall assign equally to PNC and Bank One its Term Loan A Note, without recourse. At or prior to the date hereof, the Banks shall pay to each other or otherwise make financial adjustments with respect to the assignments of interests in the Notes to each other. By executing this Amendment each of the parties to this Amendment acknowledges that the Notes have been assigned as provided above pursuant to Section 9.6 of the Credit Agreement and each of the Banks acknowledges full financial settlement among the Banks with respect to the assignments.

(d) Beginning at the end of the fiscal quarter ending December 31, 2003, Section 6.1(a) Leverage Ratio of the Credit Agreement, as previously modified in paragraph 2(m) of the Third Amendment to Credit Agreement, paragraph 2(h) of the Fourth Amendment to Credit Agreement, paragraph 2(a) of the Fifth Amendment to Credit Agreement, paragraph 2(a) of the Sixth Amendment to Credit Agreement and paragraph 2(b) of the Seventh Amendment to Credit Agreement, shall be modified as follows:

(a) Leverage Ratio. Permit the Leverage Ratio, as of the end of the fiscal quarter ending on the dates specified below, for the prior four consecutive fiscal quarters, to equal or exceed the amount set forth opposite such period:

Last Day of Fiscal Quarter	**Leverage Ratio Must Not Be Greater Than**
December 31, 2003 through Termination Date	3.20 to 1

(e) Beginning with the fiscal quarter ending December 31, 2003, Section 6.1(b) of the Credit Agreement, as previously modified in paragraph 2(n) of the Third Amendment to Credit Agreement, paragraph 2(i) of the Fourth Amendment to Credit Agreement, paragraph 2(b) of the

Sixth Amendment to Credit Agreement and paragraph 2(c) of the Seventh Amendment to Credit Agreement, shall be as follows:

> (b) Fixed Charge Coverage Ratio. Permit the Fixed Charge Coverage Ratio for each four consecutive calendar quarter period ending on each December 31, March 31, June 30 and September 30 thereafter through the Termination Date to be less than 1 to 1;

(f) Beginning with the four consecutive fiscal quarter period ending March 31, 2004, Section 6.1(c) Interest Coverage Ratio of the Credit Agreement, as previously modified in paragraph 2(o) of the Third Amendment to Credit Agreement, paragraph 2(j) of the Fourth Amendment to Credit Agreement, paragraph 2(b) of the Fifth Amendment to Credit Agreement, paragraph 2(c) of the Sixth Amendment to Credit Agreement and paragraph 2(d) of the Seventh Amendment to Credit Agreement, shall be modified as follows:

> (c) Interest Coverage Ratio. Permit the Interest Coverage Ratio, as of the end of each four consecutive fiscal quarter period ending on the dates specified below, to be less than the amount set forth opposite such period:

Last Day of Fiscal Quarter	**Interest Coverage Ratio Must Not Be Less Than**
March 31, 2004 through the Termination	2.1 to 1

(g) The Banks hereby agree that as security for the Term Loan A Notes, PNC and Bank One shall have as collateral a first secured position as to the mortgages and security interests in the real property and equipment of the Borrowers in which the Banks have mortgages and security interests pursuant to the Amended Credit Agreement ("Security Interests") and a second secured position as to all other assets of the Borrowers in which the Banks have Security Interests and that as security for the Revolving Credit Notes, Fifth Third shall have a second secured position as to the Security Interests in real property and equipment and a first secured position in all other Security Interests. Upon any disposition the real property and equipment collateral, whether before or after an Event of Default under the Amended Credit Agreement, or upon realization on any collateral after an Event of Default under the Amended Credit Agreement, PNC and Bank One will receive all proceeds from the sale or realization on the real property and equipment collateral until they are paid in full on amounts due under Term Loan A and any balance shall be available, if necessary, for Fifth Third to pay amounts due on the Revolving Credit Loan and Fifth Third will receive all proceeds from the sale or realization on all other collateral until it is paid in full on amounts due under the Revolving Credit Loan, and any balance shall be available, if necessary, for PNC and Bank One to pay amounts due on Term Loan A. As between Bank One and PNC, all proceeds will be shared equally. To the extent that the foregoing is inconsistent with the Amended Credit Agreement and particularly Section 7.2(d) and (e) thereof, the Amended Credit Agreement is so amended. The foregoing shall only relate to the Banks and their successors and assigns and does not create any rights in any third parties.

3. Term Loan Payments.

(a) The outstanding principal balance of Term Loan A on the date hereof is $6,805,880. Principal payment on Term Loan A shall continue at $523,530.00 per quarter due on November 30, 2003, February 28, 2004, May 31, 2004, August 31, 2004, and November 30, 2004. The final principal payment of $4,188,230 shall be due on January 1, 2005. Beginning with the November 30, 2003 payment, principal and interest payments with respect to Term Loan A shall be divided equally between PNC and Bank One.

(b) Term Loan B and Term Loan C have been paid in full and are terminated.

4. Interest Rates.

Annex I to the Credit Agreement, as modified by paragraph 2(f) of the Third Amendment to Credit Agreement, paragraph 2(c) of the Fourth Amendment to Credit Agreement, paragraph 4 of the Sixth Amendment to Credit Agreement and paragraph 4 of the Seventh Amendment to Credit Agreement, is hereby further modified to provide that from and after the date of this Amendment the interest rate on all Loans is Base Rate plus 5% per annum.

5. Extension Fee. Upon execution of this Amendment, Borrowers shall pay to: (i) Fifth Third, an Extension Fee in the amount of $20,000; (ii) PNC, an Extension Fee in the amount of $10,000; and (iii) Bank One, an Extension Fee in the amount of $10,000. Provided that all amounts due pursuant to Term Loan A have not been paid in full prior thereto, on June 30, 2004, Borrowers shall pay to: (i) PNC, and additional Extension Fee in the amount of $5,000; and (ii) Bank One, an additional Extension Fee in the Amount of $5,000. If all amounts due pursuant to Term Loan A have been paid prior to June 30, 2004, the additional Extension Fees payable to PNC and Bank One shall not be payable.

6. Appraisals and Field Audits. After January 1, 2004, Borrowers shall engage appraisals of the equipment and real property of Borrowers by one or more appraisers who are acceptable to the Banks. Copies of the appraisals shall be completed and distributed to the Banks prior to March 1, 2004. After the date of this Amendment, Fifth Third shall perform all field audits under the Amended Credit Agreement and shall promptly provide copies of reports of the field audits to the other Banks.

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

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

9. Representations and Warranties.

(a) Each Borrower hereby certifies that (i) the representations and warranties of such Borrower in the Credit Agreement as previously amended and as amended herein, are true and correct in all material respects as of the date hereof, as if made on the date hereof, provided that, for purposes of this Amendment, only: (x) the representations and warranties made in Section 3.1(a) and (b) and 3.21 of the Amended Credit Agreement shall relate to the most recent financial statements of the type referred to therein which have been given by the Borrowers to the Banks (but the foregoing shall not be a waiver of any Default or Event of Default based on any representation or warranty made by the Borrowers in the Credit Agreement or any amendment thereof, prior to this Amendment, being untrue at the time made, or for any breach of any covenant contained in the Credit Agreement, as amended prior to the date of this Amendment); (y) the representations and warranties made in Section 3.1(c) of the Amended Credit Agreement shall be made as of the date of this Amendment and not as of the Closing Date; and (z) the representations and warranties made in Section 3.2 of the Amended Credit Agreement shall refer to Material Adverse Effect since the last audited consolidated financial statements of the Borrowers provided to the Banks by the Borrowers, instead of since September 30, 1999 (but the foregoing shall not be a waiver of any Default or Event of Default based on any representation or warranty made by the Borrowers in the Credit Agreement or any amendment thereof, prior to this Amendment, being untrue at the time made, or for any breach of any covenant contained in the Credit Agreement, as amended prior to the date of this Amendment); and (ii) no Event of Default and no event which could become an Event of Default with the passage of time or the giving of notice, or both, under the Credit Agreement or the other Loan Documents exists on the date hereof.

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

(c) Each Borrower also further represents that its obligation to repay the Loans, together with all interest accrued thereon, is absolute and unconditional, and there exists no right of set off or recoupment, counterclaim or defense of any nature whatsoever to payment of the Loans, and each Borrower further represents that the Agents and Banks have fully performed all of their respective obligations under the Loan Documents through the date of this Amendment.

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

10. Conditions Precedent. The effectiveness of the amendments set forth herein are subject to the fulfillment, to the satisfaction of the Banks and their counsel, of the following conditions precedent:

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

(i) This Amendment and the consents of the Guarantor and the Subordinated Creditors as attached hereto; and

(ii) Such additional documents, certificates and information as the Agent may require pursuant to the terms hereof or otherwise reasonably request.

(b) The Banks acknowledge that they have received evidence which is satisfactory to the Banks that $1,200,000 has been invested by owners in CECO Group, Inc. prior to the date of this Amendment. Borrowers acknowledge that they are required to provide company prepared, preliminary and draft financial statements to the Banks on or before February 29, 2004 to establish that the financial covenants for December 31, 2003 as set forth in the Amended Credit Agreement have been satisfied. If those financial statements show that the Fixed Charge Coverage Ratio is less than 1 to 1 as required by the Amended Credit Agreement, on or before March 31, 2004, the Borrowers shall provide to the Banks evidence which is satisfactory to the Banks that an additional $300,000 has been invested by owners in CECO Group, Inc. Such investment shall not, however, cure any default which results from failure of the Borrowers to satisfy any financial covenants in the Amended Credit Agreement.

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

(d) After giving effect to the amendments contained herein, no Event of Default hereunder, and no event which, with the passage of time or the giving of notice, or both, would become such an Event of Default shall have occurred and be continuing as of the date hereof.

(e) The Borrowers shall have paid the portion of the Extension Fee which is due upon execution of this Amendment as provided in paragraph 5 above and the reasonable fees and disbursements of the Banks' counsel incurred in connection with this Amendment.

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

12. Waiver and Release. The Borrowers each on behalf of themselves, their agents, employees, officers, directors, successors and assigns, do hereby waive and release Agent and Banks, their agents, employees, officers, directors, affiliates, parents, successors and assigns, from any claims arising from or related to administration of the Amended Credit Agreement and the Loan Document and any course of dealing among the parties not in compliance with those agreements from the inception of the Credit Agreement whether known or unknown through the date of execution and delivery of this Amendment.

13. Effective Date. The parties hereto agree that this Amendment shall for all purposes be deemed to be effective as of the date set forth in the first paragraph of this Amendment (the "effective date") and for all purposes the Amended Credit Agreement shall be deemed to have been amended as of such date to reflect the amendments to the Credit Agreement set forth in herein, even though this Amendment is executed after such date.

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

CECO GROUP, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: CFO

CECO FILTERS, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

AIR PURATOR CORPORATION

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: President

NEW BUSCH CO., INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

THE KIRK & BLUM MANUFACTURING COMPANY

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

KBD/TECHNIC, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

CECO ABATEMENT SYSTEMS, INC.

By: /s/ Marshall J. Morris

Name: Marshall J. Morris
Title: Treasurer

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

By: /s/ William C. Miles

Name: William C. Miles
Title: Vice President

FIFTH THIRD BANK, as a Bank

By: /s/ David G. Fuller

Name: David G. Fuller
Title: Vice President

BANK ONE, NA, as a Bank

By: /s/ Jeffrey C. Nicholson

Name: Jeffrey C. Nicholson
Title: First Vice President

GUARANTOR'S CONSENT

By Corporate Guaranty, dated December 7, 1999 (the "Guaranty"), the undersigned (the "Guarantor") guaranteed to the Agent and the Banks, subject to the terms and conditions set forth therein, the prompt payment and performance of all of the Obligations (as defined therein). The Guarantor consents to the Borrowers' execution of the foregoing Eighth Amendment to Credit Agreement. The Guarantor hereby acknowledges and agrees that the Guaranty remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

CECO ENVIRONMENTAL CORP.

By: /s/ Phillip J. DeZwirek

Name: Phillip J. DeZwirek
Title: Chairman, CEO

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 1999 (the "Subordination Agreement"). The Subordinated Creditor consents to the Borrowers' execution of the foregoing Eighth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

GREEN DIAMOND OIL CORP.

By: /s/ Phillip J. DeZwirek

Name: Phillip J. DeZwirek
Title: President

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 1999 (the "Subordination Agreement"). The Subordinated Creditor consents to the Borrowers' execution of the foregoing Eighth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

ICS TRUSTEE SERVICES, LTD.

By: _____

Name:
Title

SUBORDINATED CREDITOR'S CONSENT

The undersigned (the "Subordinated Creditor") is a party to the Subordination Agreement with the Agent and the Banks and other subordinated creditors, dated December 7, 1999 (the "Subordination Agreement"). The Subordinated Creditor consents to the Borrowers' execution of the foregoing Eighth Amendment to Credit Agreement. The Subordinated Creditor hereby acknowledges and agrees that the Subordination Agreement remains unaltered and in full force and effect and is hereby ratified and confirmed in all respects.

HARVEY SANDLER

Exhibit 10.48

LEASE AGREEMENT

SECTION 1. Parties

This Agreement made by and between LFT Realty Group, a Pennsylvania corporation Owner, having offices situate at 600 Old Elm Street, Conshohocken, PA 19428 (hereinafter referred to as Landlord), of the one part, and Ceco Filters, Inc. (“Tenant”), having offices at 3120 Forrer Street, Cincinnati, Ohio 45209-1016 Federal ID #23-2399315, of the other part.

SECTION 2. Premises

WITNESSETH THAT: Landlord does hereby demise and let unto Tenant 16,000 +/- square feet of that certain building situate at 1029 Conshohocken Road, Plymouth Township (“Building”) as shown at Exhibit A (“demised premises”), in the County of Montgomery, State of Pennsylvania, to be used and occupied as industrial filter assembly, storage, sales, and related office, and any other lawful industrial or office use and uses incidental thereto.

SECTION 3. Term

The term of this Lease shall be three (3) years, beginning May 1, 2003, and ending April 30, 2006, plus the renewal term, if any, described in Section 7. As used herein the words “term”, “term of this Lease”, “Lease term” or words of similar import shall mean the initial three (3) year term and the three (3) year renewal period, if any.

SECTION 4. Base Minimum Rental

The minimum monthly rental shall be payable in lawful money of The United States of America, payable in monthly installments in advance during the said term of the this Lease, or any renewal hereof, on the first day of each month provided, however, that such payment shall not be deemed late or cause any event of default so long as the rent check is postmarked before the third of the month. The first rental payment to be made during the occupancy of the premises shall be adjusted to prorate a partial month of occupancy, if any, at the inception of this Lease Agreement.

It is agreed and understood that the minimum base rent, for the primary term of this lease, shall be payable on the first day of each month and shall be as follows:

	Amount	***Start Date***	***End Date***
Initial Term	$ 7,333.33	05/01/03	04/30/06
Renewal Term, if any	$ 7,883.33	05/01/06	04/30/09

SECTION 5. Place of Payment

All rent shall be payable without prior notice or demand at the office of the Landlord:

LFT Realty Group, Inc.
600 Old Elm Street
Conshohocken, PA 19428,

or at such other place as Landlord may from time to time designate by notice in writing.

SECTION 6. Agency

Intentionally Omitted.

SECTION 7. Termination of Lease

It is hereby mutually agreed that Tenant may renew this Lease for an additional three (3) year period at the end of said term by giving to the Landlord written notice thereof at least one hundred twenty (120) days prior thereto. If Tenant fails to give such notice, this Lease shall expire without further action by either party. In the event Tenant remains in the Premises beyond the expiration of the initial three (3) year term, or the three (3) year renewal period, if exercised, specified in the immediately preceding sentence, then in such event Tenant shall be deemed a holdover Tenant and shall be liable for holdover rent in the amount of Nine Thousand One Hundred Sixty-Six and 66/100 Dollars ($9,166.66) per month. The holdover tenancy described herein shall be a month-to-month tenancy terminable upon thirty (30) days notice by either party hereto.

SECTION 8. Security Deposit

Tenant does herewith deposit with Landlord the sum of Seven Thousand, Three Hundred and Thirty Three Dollars and Thirty Three cents ($7,333.33) to be held as security for the full and faithful performance by Tenant of Tenant's obligations under this Lease and for the payment of damages to the demised premises. Said security deposit is to be held by Landlord in an account designated for security deposits and not commingled with any other monies. Except for such sum as shall be lawfully applied by Landlord to satisfy valid claims against Tenant arising from defaults under this Lease or by reason of damages to the demised premises, the Security Deposit shall be returned to Tenant at the expiration of the term of this Lease or any renewal or extension thereof. It is understood that no part of any security deposit is to be considered as the last rental due under the terms of the Lease.

SECTION 9. Inability to Give Possession

If Landlord is unable to give Tenant possession of the Demised Premises, as herein provided, by reason of Tenant's act or omission, Landlord shall not be liable in damages to Tenant therefor. Notwithstanding, Landlord agrees that it will not undertake any act or omission to prevent Tenant from obtaining possession of the Premises as herein provided.

SECTION 10. Additional Rent

(a) Damages for Default. Tenant agrees to pay as rent in addition to the minimum rental herein reserved any and all sums which may become due by reason of the failure of Tenant to comply with all of the covenants of this Lease and any and all damages, costs and expenses which the Landlord may suffer or incur by reason of any default of the

Tenant or failure on his/her part to comply with the covenants of this Lease, and each of them, and also any and all damages to the demised premises caused by any act or neglect of the Tenant.

(b) Taxes. Intentionally Omitted.

(c) Insurance Premiums. Intentionally Omitted.

(d) Water Rent. Intentionally Omitted.

(e) Sewer Rent. Intentionally Omitted.

SECTION 11. Affirmative Covenants of Tenant

Tenant covenants and agrees that he/she will without demand:

(a) Payment of Rent. Pay the rent and all other charges herein reserved as rent at the times and at the place that the same are payable, except as expressly permitted herein; and if Landlord shall at any time or times accept said rent or rent charges after the same shall have become delinquent, such acceptance shall not excuse delay upon subsequent occasions, or constitute or be construed as a waiver of any of Landlord's rights except with respect to the payment so accepted. Tenant agrees that any charge or payment herein reserved, included, or agreed to be treated or collected as rent and/or any other charges, expenses, or costs herein agreed to be paid by Tenant may be proceeded for and recovered by Landlord by legal process in the same manner as rent due and in arrears, but that Landlord shall not have any right of termination or dispossession with respect to such changes other than rent.

(b) Cleaning and Repairs. Tenant covenants and agrees that it will without demand keep the interior of demised premises reasonably clean and free from all ashes, dirt and other refuse matter as typical for a like facility; replace all glass windows, doors, etc., broken; keep all waste and drain pipes located within and exclusively serving the Premises open; repair all damage to plumbing located within and exclusively serving the Premises and to the interior of premises in general; keep the same in good order and repair as they are now, reasonable wear and tear, damage by accidental fire or other casualty not occurring through negligence of Tenant or those employed by or acting for Tenant alone and repairs which are Landlord's responsibility herewith excepted. The Tenant agrees to surrender the demised premises in the same condition in which Tenant has herein agreed to keep the same during the continuance of this Lease.

(c) Requirements of Public Authorities. Tenant covenants and agrees that it will without demand comply with any requirements any of the constituted public authorities, and with the terms of any State or Federal statute or local ordinance or regulation (collectively "Laws") applicable to Tenant or his use of the demised premises, and save Landlord harmless from penalties, fines, costs, or damages resulting from failure so to do except in the event the cost to comply with said ordinance or regulation is prohibitive in Tenants sole opinion, said determination to be made within thirty (30) days of notice of such

violation. Notwithstanding the forgoing, in no event shall Tenant be required or responsible to make any alteration, addition or repair to the Premises or Building or any other improvement of the land upon which the Building sits necessary to comply with the Laws unless such alteration, addition or repair is required specifically as a result of Tenant's use of the demised premises as an industrial filter facility, and would not be required of manufacturing facilities generally. All such alterations, additions or improvements which are not due to Tenant's use of the demised premises as an industrial filter facility shall be Landlord's responsibility to make at Landlord's sole cost and expense as soon as practically possible in the circumstances. In the event Tenant is unable to use the demised premises due to any violation of the Laws which is not Tenant's obligation to cure hereunder, then in any such event all rent and all other charges due hereunder shall abate. If such condition prevents Tenant from using the demised premises for a period in excess of thirty (30) days, then Tenant may at any time thereafter terminate this Lease by written notice to Landlord, such termination effective as of the date of Tenant's notice, after which neither Landlord nor Tenant shall have any further obligation or responsibility to the other.

(d) Fire. Tenant covenants and agrees that he/she will without demand use reasonable precaution, against fire.

(e) Rules and Regulations. Tenant covenants and agrees that he/she will without demand, comply with rules and regulations of Landlord promulgated as hereinafter provided, so long as such rules and regulations do not increase Tenant's obligations, diminish Tenant's rights or materially change the provisions of this Lease and further provided that in the event of any conflict or ambiguity between the terms of any rules and regulations and the terms and conditions of this Lease, the terms and conditions of this Lease shall prevail.

(f) Surrender of Possession. Tenant covenants and agrees that he/she will without demand peaceably deliver up and surrender possession of the demised premises to the Landlord at the expiration or sooner termination of this Lease, promptly delivering to Landlord at his office all keys for the demised premises.

(g) Notice of Fire, etc. Tenant covenants and agrees that he/she will give to Landlord prompt, written, notice of any fire, or damage occurring on or to the demised premises.

(h) Condition of Pavement. Intentionally Omitted.

(i) Agency on Removal. Tenant agrees that if, with the permission in writing of Landlord, Tenant shall vacate or decide at any time during the term of this Lease, or any renewal thereof, to vacate the herein demised premises prior to the expiration of this Lease, or any renewal hereof, Tenant will not cause or allow any other agent to represent Tenant in any sub-letting or re-letting of the demised premises other than an agent approved by the Landlord and that should Tenant do so, or attempt to do so, the Landlord may remove any signs that may be placed on or about the demised premises by such other agent without any liability to Landlord or to said agent, the Tenant assuming all responsibility for such action.

(j) Indemnification. Tenant covenants and agrees that it will indemnify and save Landlord harmless from any and all loss occasioned by Tenant's breach of any of the covenants, terms and conditions of the Lease, or caused by its agents, employees, licensees, invitees or contractors, or their respective agents, employees, licensees, invitees or contractors. Landlord covenants and agrees that it will indemnify, defend and save Tenant harmless from any and all loss occasioned by Landlord's breach of any of the covenants, terms or conditions of this Lease, or due to any act or omission of Landlord, its agents, employees, licensees, invitees or contractors, or their respective agents, employees, licensees, invitees or contractors.

SECTION 12. Negative Covenants of Tenant

Tenant covenants and agrees that it will do none of the following things without first obtaining the consent, in writing of Landlord, which consent Landlord shall not unreasonably withhold, condition or delay:

(a) Use of Premises. Occupy the demised premises in any other manner or for any other purpose than as above set forth.

(b) Assignment and Subletting. Assign, mortgage or pledge this Lease or under-let or sub-lease the demised premises, or any part thereof, or permit any other person, firm or corporation to occupy the demised premises, or any part thereof; nor shall any assignee or sub-Tenant assign, mortgage or pledge this Lease or such sub-lease, without as additional written consent by the Landlord, and without such consent no such assignment, mortgage or pledge shall be valid. If the Tenant becomes insolvent, or makes an assignment for the benefit of creditors, or if a petition in bankruptcy is filed by or against the Tenant or a bill in equity or other proceeding for the appointment of a receiver for the Tenant is filed, or if the real or personal property of the tenant shall be sold or levied upon by any Sheriff, Marshall or Constable, and any such condition is not cured within ninety (90) days after Tenant learns of such condition, the same shall be a violation of this covenant. Notwithstanding the forgoing, Tenant may assign this Lease or sublet the Premises, without the need for Landlord's consent, to any affiliate of Tenant. For purposes of this paragraph, an affiliate means any entity controlled by, under common control with or under the control of, Tenant. As used herein, the term "control" means the ability to direct the affairs of such entity, whether by control of the Board of Directors, ownership of stock or membership interests or otherwise. In the event of any subletting or assignment, Tenant shall remain primarily liable to Landlord for rent and other charges due hereunder through the expiration or termination of the term of this Lease.

(c) Signs. Intentionally Omitted.

(d) Alterations and Improvements. Make any structural alterations, improvements, or additions to the demised premises without the written consent of Landlord, not to be unreasonably withheld, delayed or conditioned. All alterations, improvements, additions, whether installed before or after the execution of this Lease, shall remain the property of Tenant, unless Tenant abandons such alterations at the conclusion of the Lease.

(e) Machinery. Use or operate any machinery that is not in use as of the date of this Lease if such machinery and is harmful to the building or disturbing to other tenants occupying other parts thereof. Landlord acknowledges and agrees that Tenant's use of the demised premises as of the date of this Lease is acceptable under this paragraph and does not cause a violation of this paragraph.

(f) Weights. Place any weights in any portion of the demised premises beyond the safe carrying capacity of the structure. Landlord acknowledges and agrees that Tenant's use of the demised premises as of the date of this Lease is acceptable under this paragraph and does not cause a violation of this paragraph.

(g) Fire Insurance. Do or suffer to be done, any act, matter or thing objectionable to the fire insurance companies whereby the fire insurance or any other insurance now in force or hereafter to be placed on the demised premises, or any part thereof, or on the building of which the demised premises may be a part, shall become void or suspended, or whereby the same shall be rated as a more hazardous risk than at the date of execution of this lease, or employ any person or persons objectionable to the fire insurance companies or carry or have any benzene or explosive matter of any kind in and about the demised premises. In case of a breach of this covenant (in addition to all other remedies given to Landlord in case of the breach of any of the conditions or covenants of this Lease) Tenant agrees to pay Landlord as additional rent any and all increase or increases of premiums on insurance carried by Landlord on the demised premises, or any part thereof, or on the building of which the demised premises may be a part, caused in any way by the occupancy of Tenant. Landlord acknowledges and agrees that Tenant's use of the demised premises as of the date of this Lease is acceptable under this paragraph and does not cause a violation of this paragraph.

(h) Removal of Goods. Intentionally Omitted.

(i) Vacate Premises. Intentionally Omitted.

SECTION 13. <u>Landlord's Rights</u>.

Tenant covenants and agrees that Landlord shall have the right to do the following things and matters in and about the demised premises:

(a) Inspection of Premises. At all reasonable times during normal business hours and upon at least twenty-four (24) hours notice by himself or his duly authorized agents to go upon and inspect the demised premises and every part thereof.

(b) Rules and Regulations. At any time or times and from time to time make such reasonable rules and regulations as may be necessary or desirable for the safety, care, and cleanliness of the demised premises and/or of the building of which the demised premises is a part and of real and personal property contains therein and for the preservation of good order. Such rules and regulations shall, when communicated in writing to Tenant, form a part of this Lease, subject to the limitations of Section 11(e).

(c) Sale or Rent Signs. To display a “For Sale” sign at any time with 24 hours notice, and also, after notice from either party of intention to terminate this Lease, or at anytime within three (3) months prior to the expiration of this Lease, a “for Rent” sign, or both “For Rent” and “For Sale” signs; and all of said signs shall be placed upon such part of the premises as Landlord may elect and may contain such matter as Landlord shall require. Persons authorized by Landlord may inspect the premises at reasonable hours during the said periods.

(d) Discontinue facilities and Service. Intentionally Omitted.

(e) Relocation. Landlord may relocate Tenant to reasonably comparable space within two (2) miles of the premises with thirty- (30) days written notice to Tenant. Landlord shall pay all costs associated with moving Tenant including without limitation reprinting business cards, letterhead, re-wiring computers and equipment. Landlord may exercise the rights herein only with Tenants approval, which shall not be unreasonably with held or delayed.

SECTION 14. Responsibility of Tenant

(a) Tenant agrees to relieve and hereby relieves the Landlord from all liability by reason of any injury or damage any person or property in the demised premises, whether belonging to the Tenant or any other person caused by any fire, breakage, or leakage in any part or portion of the building of which the demised premises is a part or water, rain or snow that may leak into, issue or flow from any part of the said premises, or of the building of which the demised premises is a part, from the drains, pipes, or plumbing work of the same, or from any place or quarter, unless such breakage, leakage, injury or damage be caused by or result from the negligence or reckless or willful conduct of Landlord or its servants or agents.

(b) Tenant also agrees to relieve and hereby relieves Landlord from all liability by reason of any damage or injury to any property or to Tenant or Tenant’s guests, servants or employees which may arise from or be due to the use, misuse or abuse of all or any of the elevators, hatches, openings, stairways, hallways of any kind whatsoever which may exist or hereafter be erected or constructed on the said premises or the sidewalks surrounding the building of which may arise from defective construction, failure of water supply, light, power, electric wiring, plumbing or machinery, wind, lighting, storm or any other cause whatsoever on the said premises or the building of which the demised premises is a part, unless such damage, injury, use, misuse, or abuse be caused by or result from the negligence or recklessness or willful conduct of Landlord, its servants or agents.

SECTION 15. Responsibilities of Landlord

(a) Total Destruction of Premises. In the event the demised premises are totally destroyed or so damaged by fire or other casualty that, in the opinion of a licensed architect retained by Landlord, the same cannot be repaired and restored within forty-five (45) days from

the happening of such injury, or the demised premises are not, in fact, resolved within forty-five (45) days, this lease shall absolutely cease and terminate, and the rent shall abate from the date of casualty for the balance of the term.

(b) Partial Destruction of Premises. If the damage be only partial and such that the premises can be restored, in the opinion of a licensed architect retained by Landlord, to their former condition within forty-five (45) days from the date of the casualty loss Landlord shall restore the same within forty-five (45) days, reserving the right to enter upon the demised premises for that purpose. Landlord also reserves the right to enter upon the demised premises whenever necessary to repair damage caused by fire or other casualty to the building of which the demised premises is a part, even though the effect of such entry be to render the demised premises or a part thereof untenantable. In either event the rent shall be apportioned and suspended during the time the demised premises are rendered untenantable and the duration of Landlord's possession.

(c) Repairs by Landlord. Landlord shall give notice to Tenant within ten (10) days from the day Landlord received notice that the demised premises had been destroyed or damaged by fire or other casualty as to whether the demised premises can be restored as provided above.

(d) Damage for Interruption of Use. Except to the extent herein before provided, Landlord shall not be liable for any damages, compensation, or claim by reason of the necessity of repairing any portion of the building, the interruption in the use of the premises, any inconvenience or annoyance arising as a result such repairs, or interruption, or the termination of this lease by reason of damage to or destruction of the premises.

(e) Representation of Condition of Premises. Tenant has inspected the demised premises and Landlord has let the demised premises in their present "AS IS" condition and without any representations, other than those specifically endorsed hereon by Landlord, through its officers, employees, servants and/or agents. It is understood and agreed that the Landlord is under no duty to make repairs, alterations, or improvements at the inception of this lease or at any time thereafter unless such duty of Landlord shall be set forth in writing endorsed hereon.

(f) Zoning. It is understood and agreed that the Landlord hereof does not warrant or undertake that the Tenant shall be able to obtain a permit under any Zoning Ordinance or Regulation for such use as Tenant intends to make of the said premises, and nothing in this lease contained shall obligate the Landlord to assist Tenant in obtaining said permit; the Tenant further agrees that in the event a permit cannot be obtained by Tenant under any Zoning Ordinance or Regulation, this lease shall not terminate without Landlord's consent, and the Tenant shall use the premises only in a manner permitted under such Zoning Ordinance or Regulation.

SECTION 16. Miscellaneous Agreements and Conditions

No contract entered into or that may be subsequently entered into by Landlord with Tenant, relative to any alterations, additions, improvements or repairs, nor the failure of Landlord to make such alterations, additions, improvements or repairs as required by any such contract, nor the making by Landlord or his agents or contractors of such alterations, additions, improvements or repairs shall in any way affect the payment of the rent or said other charges at the time specified in this Lease, except to the extent and in the manner herein before provided.

(a) Effect of Repairs on Rental. It is hereby covenanted and agreed, any law, usage or custom to the contrary notwithstanding, that Landlord shall have the right to all times to enforce the covenants and provisions of this Lease in strict accordance with the terms hereof, notwithstanding any conduct or custom on the part of the Landlord in refraining from so doing at any time or times, and, further, that failure of Landlord at any time or times to enforce his rights under said covenants and provisions strictly in accordance with the same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions and covenants of this Lease or as having in any way or manner modified the same. Notwithstanding any provision herein to the contrary, so long as Tenant pays rent due hereunder and complies with the terms of this Lease, Tenant shall quietly enjoy exclusive use of the demised premises free from hindrance, interference or molestation from anyone.

(b) Waiver of Custom. Intentionally Omitted.

(c) Failure of Tenant to Repair. In the event of the failure of Tenant promptly to perform the covenants of SECTION 13 (b) hereof, Landlord may go upon the demised premised and perform such covenants, the cost thereof, at the sole option of Landlord, to be charged to the Tenant as additional and delinquent rent.

(d) Waiver of Subrogation. Intentionally Omitted.

SECTION 17. Remedies of Landlord. If the Tenant

(a) Does not pay in full within ten (10) days after written notice from Tenant to Landlord that such payment is due (subject to the three (3) day grace period described in Section 4 of this Lease) and further provided that Landlord shall only be obligated to provide such notice on one occasion in any twelve (12) month period, any and all installments of rent and/or any other charge or payment herein reserved, included, or agreed to be treated or collected as rent and/or any other charge, expense, or cost herein agreed to be paid by the Tenant, or

(b) Violates or fails to perform or otherwise breaks any covenant or agreement herein contained and such violation or failures continues for thirty (30) days after Landlord’s written notice to Tenant of such violation or failure, or such longer time as may be reasonable under the circumstances so long as Tenant commences such cure within such thirty (30) days period and thereafter diligently pursues such cure; or

(c) Intentionally Omitted;

(d) Becomes embarrassed or insolvent or makes an assignment for the benefit of creditors, or if a petition in bankruptcy is filed by or against Tenant or a complaint in equity, or other proceedings for the appointment of a receiver for Tenant is filed, or if proceedings for reorganization or for composition with creditors under any State or Federal law be instituted by or against Tenant, or if the real or personal property of Tenant shall be levied upon, or be sold, and such condition is not cured within ninety (90) days.

Thereupon;

(1) The whole balance of rent and other charges, payments, costs, and expenses herein agreed to be paid by Tenant, or any part thereof, shall be taken to be due and payable and in arrears as if by terms and provisions of this lease said balance of rent and other charges, payment, taxes, costs and expenses were on that date, payable in advance. Further, if this lease or any part thereof is assigned, or if the premises, or any part thereof is sub-let, Tenant hereby irrevocably constitutes and appoints Landlord as Tenant's agent to collect the rents due from such assignee or sub-Tenant and apply the same to the rent due hereunder without in any way affecting Tenant's obligation to pay any unpaid balance of rent due hereunder; or

(2) At the option of Landlord, this lease and the terms hereby created shall determine and become absolutely void without any right on the part of the Tenant to reinstate this lease by payment of any sum due or by other performance of any condition, term, or covenant broken, whereupon, Landlord shall be entitled to recover damages for such breach in an amount equal to the amount of rent reserved for the balance of the term of this lease, less the fair rental value of the said demised premises for the remainder of the Lease term,

In all instances of Tenant default, Landlord agrees to use reasonable efforts to mitigate its damages.

SECTION 18. <u>Further Remedies of Landlord</u>

In the event of any default as above set forth in SECTION 17, Landlord, or anyone acting on Landlord's behalf, at Landlord's option:

(a) May let said premises or any part or parts thereof to such person or persons as may, in Landlord's discretion, be best; and Tenant shall be liable for any loss of rent for the balance of the then current term.

(b) Intentionally Omitted;

(c) May have and exercise any and all other rights and/or remedies granted or allowed landlords by an existing or future Statute, Act of Assembly, or other law of this state in cases where a landlord seeks to enforce rights arising under a lease agreement against a tenant who has defaulted or otherwise breached the terms of such lease agreement; subject to, however, to all of the rights granted or created by any such Statute, Act of Assembly, or other law of this state existing for the protection and benefit of tenants; and

(d) Intentionally Omitted.

SECTION 19. Landlord Default

In the event that Landlord breaches any covenant, condition or provision of this Lease, or fails to perform any obligation of Landlord required under this Lease, or becomes insolvent, files or has filed against it any action in bankruptcy, as a receiver appointed for its assets or otherwise becomes embarrassed or assigns its assets to creditors, and any such breach, failure or condition is not cured within thirty (30) days after written notice thereof from Tenant to Landlord (except in the case of emergency in which event no notice shall be necessary), or such longer period as may be reasonable under the circumstances so long as Landlord commences such cure within such thirty (30) day period and is thereafter diligently pursuing such cure, but in no event more than ninety (90) days, then in any such event Landlord shall be deemed in default of this Lease. Upon Landlord's default, Tenant may either (i) terminate this Lease upon the condition described hereinafter or (ii) cure such breach, failure or condition, for the account of Landlord, and thereafter Landlord shall reimburse Tenant the cost of such cure within ten (10) days after presentment of an invoice therefor. If Landlord fails to reimburse Tenant as provided herein, then in such event Tenant may offset rent and other charges due hereunder to Landlord until Tenant is reimbursed for its expenditure in full. In the event of an emergency, such as by way of example, a hole in the roof which interferes with Tenant's business operations, Tenant may immediately cure such condition and thereafter seek reimbursement from Landlord and, failing reimbursement from Landlord, thereafter offset the cost of such cure against rent and other charges due hereunder. Not withstanding the foregoing, Tenant may only terminate this Lease in the event that the cost of curing Landlord's default exceeds the rent due (excluding additional rent) over the remainder of the then current term.

SECTION 20. Confession of Judgment for Possession of Real Property

Tenant covenants and agrees that if this lease shall be terminated (either because of condition broken during the term of this lease, or any renewal or extension thereof and/or when the term hereby created or any extension thereof shall have expired) then, and in that event, Landlord may cause a judgment in ejectment to be entered against Tenant for possession of the demised premises, and for that purpose Tenant hereby authorizes and empowers any Prothonotary, Clerk of Court or Attorney of any Court of Record to appear for Tenant and to confess judgment against tenant in Ejectment for possession of the herein demised premises, and agrees that Landlord may commence an action pursuant to Pennsylvania Rules Of Procedure No. 2970 et seq. For the entry of an order in Ejectment for the possession of real property and Tenant further agrees that a Writ of Possession pursuant thereto may issue forthwith, for which authorization to confess judgment and for the issuance of a writ or writs of possession pursuant thereto, this lease, or a true and correct copy there of, shall be sufficient warrant. Tenant further covenants and agrees, that if for any reason whatsoever, after said action shall have commenced the action shall be terminated and the possession of the premises, demised hereunder shall remain in or be restored to Tenant, Landlord shall have the right upon any subsequent default or defaults, or upon the termination of this lease as above set forth to commence successive actions for possession of real property and to cause the entry of successive judgments by confession in Ejectment for possession of the premises demised hereunder. Notwithstanding the forgoing, before exercising any rights under this Section 20, or Sections 21, 22 or 23, Landlord shall give Tenant fifteen (15) days notice of its intention to seek the remedies set forth therein and, at the

expiration of such fifteen (15) day period, Tenant shall have an additional five (5) days to cure any default upon which Landlord bases its determination to pursue the remedies contained in this Section 20, or Sections 21, 22 or 23 of this Lease.

SECTION 21. Affidavit of Default

In any procedure or action to enter Judgment by Confession in Ejectment for possession of real property pursuant to Section 20 hereof, if Landlord shall first cause to be filed in such action an affidavit or averment of the facts constituting the default or occurrence of the condition precedent, or event, the happening of which default, occurrence, or event authorizes and empowers Landlord to cause the entry of judgment by confession, such affidavit or averment shall be conclusive evidence of such facts, defaults, occurrences, conditions precedent, or events; and if a true copy of this lease (and of the truth of which such affidavit or averment shall be sufficient evidence) be filed in such procedure or action, it shall not be necessary to file the original as a Warrant of Attorney, or any rule of court, custom, or practice to the contrary notwithstanding.

SECTION 22. Waivers by Tenant of Errors, Right of Appeal, Stay, Exemption, Inquisition

Tenant hereby releases to Landlord and to any and all attorneys who may appear for Tenant all errors in any procedure or action to enter Judgment by Confession by virtue of the warrants of attorney contained in this Lease, and all liability therefore, Tenant further authorized the Prothonotary or any Clerk of any Court of Record to issue a Writ or Execution or other process, and further agrees that real estate may be sold on a Writ of Execution or other process. If proceedings shall be commenced to recover possession of the demised premises either at the end of the term or sooner termination of this lease, or for non-payment of rent or for any reason, Tenant specifically waives the right to the three (3) months notice to quit and/or the fifteen (15) or thirty (30) days' notice to quit required by the Act of April 6, 1951. P.I., 69, as amended, and agrees that the notice and opportunity to cure provided in Section 20 of this Lease shall be sufficient.

SECTION 23. Right of Assignee of Landlord

The right to enter judgment against Tenant by confession and to enforce all of the other provisions of this lease herein provided for may at the option of any assignee of this lease, be exercised by any assignee of the Landlord's right, title and interest in this lease in his, her, or their own name, any statute, rule of court, custom, or practice to the contrary notwithstanding.

SECTION 24. Remedies Cumulative

All of the remedies herein before given to Landlord and all rights and remedies given to it by law and equity shall be cumulative and concurrent. No determination of this lease or the taking or recovering possession shall deprive Landlord of any of its remedies or actions against the Tenant for rent due at any time or which, under the terms hereof would in the future become due as if there had been no determination, nor shall the bringing of any action for rent or breach of covenant, or the resort to any other remedy herein provided for the recovery of rent be construed as a waiver of the right to obtain possession of the premises.

SECTION 25. Condemnation

In the event that the premises demised herein, or any part thereof, is taken or condemned for a public or quasi-public use, this lease shall as to the part so taken, terminate as of the date title shall vest in

the condemnor, and rent shall abate in proportion to the square feet of leased space taken or condemned or shall cease if the entire premises be so taken provided that Tenant may terminate this Lease by written notice to Landlord should such a portion of the demised premises be taken so as to render the demised premises unsuitable for Tenant's use. In either event the Tenant waives all claims against the Landlord by reason of the complete or partial taking of the demised premises, but reserves the right to pursue its own award from the condemning authority.

SECTION 26. Subordination

This Agreement of Lease and all its terms, covenants and provisions are and each of them is subject and subordinate to any lease or other arrangement or right to possession, under which the Landlord is in control of the demised premises, to the rights of the owners or owners of the demised premises and of the land or buildings of which the demised premises are a part, to all rights of the Landlord's landlord and to any and all mortgages and other encumbrances now or hereafter placed upon the demised premises or upon the land and/or the buildings containing the same; Tenant's agreement to subordinate contained in this Section 26 is expressly conditioned upon Landlord's agreement to obtain from any existing lender or superior title holder an agreement specifically recognizing this Lease, Tenant's rights under this Lease, and providing that so long as Tenant pays rent due hereunder and otherwise complies with the terms and conditions of this Lease, then Tenant's possession of the demised premises shall not be disturbed, and in the event of any foreclosure or other action to dispossess Landlord, Tenant shall not be named as a party defendant in any such action ("Non-Disturbance Agreement"). In addition, Landlord agrees to obtain a Non-Disturbance Agreement from any future lender or future superior title holder or Tenant's subordination granted herein shall be of no force or effect. Tenant agrees to attorn to any foreclosing lender or future title holder should Landlord be dispossessed of the demised premises.

SECTION 27. Notice

All notices, must be given by certified mail, return receipt requested.

SECTION 28. Lease Contains all Agreements

It is expressly understood and agreed by and between the parties hereto that this lease and the riders attached hereto and forming a part hereof set forth all the promises, agreements, conditions, and understandings between Landlord and his Agent and Tenant relative to the demised premises, and that there are no promises, agreements, conditions, or understandings, either oral or written, between them other than herein set forth. It is further understood and agreed that, except as herein otherwise provided, no subsequent alteration, amendment, change or addition to this lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by them.

SECTION 29. Heirs and Assignees

All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several and respective heirs, executors, administrators, successors, and assigns of said parties; and if there shall be more than one Tenant, they shall all be bound jointly and severally by the terms, covenants, and arrangements herein, and the word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a Tenant herein, be the same one or more; and if there shall be more than one Tenant, any notice required or permitted by the terms of this lease may be given by or to any one thereof, and shall have the same force and effect as if given by or to all

thereof. The words “his” and “him” wherever stated herein, shall be deemed to refer to the Landlord or Tenant whether such Landlord or Tenant is singular or plural and irrespective of gender. No rights, however, shall inure to the benefit of any assignee of Tenant unless Landlord has approved the assignment to such assignee in writing as aforesaid.

SECTION 30. Headings no part of lease

Any headings preceding the text of the several paragraphs and sub-paragraphs hereof are inserted solely for convenience of reference and shall not constitute a part of this lease nor shall they affect its meaning, construction or effect.

SECTION 31. Option to Renew. Deleted

SECTION 32. Agency

Landlord shall indemnify, defend and hold Tenant harmless from any claim for a commission or fee from any person or entity.

SECTION 33. Late Charge

Tenant agrees to pay to Landlord a late charge of five (5%) percent of the gross monthly rental for rents not received by Landlord within ten (10) days of due date. A charge of $50.00 is applicable for any checks returned from the bank, for whatever reason.

Further, no payment by Tenant or receipt by Landlord, or Landlord’s Agent, of a lesser amount than any installation or payment of rent or additional rent due shall be deemed to be other than on account of the amount due. If either party owes money to the other due to a default under this Lease, then such sum shall accrue interest at the rate of 10% per annum from the date such sum is due until the date such sum is paid.

SECTION 34. Liability Insurance

During the term of this lease and any extensions thereof, Tenant shall keep in full force and effect a policy of Commercial General Liability insurance in which the limits of Bodily Injury shall not be less than $2,000,000.00 per occurrence, and on which the Property Damage limit shall not be less than $2,000,000.00 per occurrence. A copy of the policy or a Certificate of Insurance shall be delivered to the Landlord’s Agent. The insurance carrier shall be a responsible insurance carrier authorized to do business in the State of Pennsylvania and such policy may be by blanket coverage. Said policy shall name Landlord and Tenant, as insured, and shall contain a clause that the insurer will not cancel or change the insurance without first giving the Landlord thirty (30) days prior written notice.

SECTION 35. Utilities and Maintenance

Until such time as Landlord leases additional space in the Building of which the demised premises are a part, Tenant shall pay for all utility services consumed at the demised premises. Upon such date as Landlord leases space to another tenant for any other portion of the Building of which the demised premises are a part, Landlord shall cause, at its sole cost and expense, that all utility service to the demised premises be separately metered by a new meter from the appropriate utility or by tab meter. Thereafter, Tenant shall only pay for utilities used by the Tenant at the demised premises. In

the event any utility service is interrupted due to the act or omission of Landlord, and such interruption shall continue for a period of three (3) days, then on the fourth day and thereafter until such interruption is cured, all rent and other charges due hereunder shall completely abate. If such interruption continues for a period of thirty (30) days, then Tenant shall have the option of terminating this Lease by written notice to Landlord, such termination effective as of the date of Tenant's notice, after which neither Landlord nor Tenant shall have any further obligation or responsibility to the other.

Tenant further covenants and agrees throughout the term of this Lease Agreement, any extensions or renewals thereof, that it will be responsible to maintain the demised premises in good repair, order and condition, at its sole cost and expense, excluding any maintenance as may be required to the structural members, exterior walls, or roof of the demised premises, but including all floors, interior walls, ceilings, doors of all types, locks, closures, and hinges, all lighting (including the replacement of light bulbs), all glass including windows, all electrical, heat, ventilating, and air conditioning systems located within and exclusively serving the demised premises, as well as all utilities and plumbing systems located within and exclusively servicing the demised premises, making all repairs and / or replacements thereto as may be required or necessary, with materials of like quality.

In addition, Tenant herein shall be responsible to have the heating system serviced a minimum of once a year, along with having the air conditioning systems / units serviced at least four (4) times per year. Said servicing shall be at the sole cost and expense of Tenant, shall be performed by a reputable heating and / or air conditioning contractor, and copies of said contract shall be submitted to Landlord by Tenant annually. Should the Tenant fail to service said systems, then this work may be done by the Landlord, and immediate payment as well as a service charge of ten (10%) percent shall be due from the Tenant for such work and / or repairs.

Further, the Tenant shall be responsible for the cleanliness of the demised premises and shall be responsible, at Tenant's sole cost and expense, for the separation, recycling, and removal of Tenant's waste materials to conform with any and all governmental rules and regulations thereto.

SECTION 36. Licenses and Permits

Tenant, at Tenant's expense and subject to the limitations set forth in Section 11(c) of this Lease, shall obtain whatever permits and/or licenses which may be required by Tenant to operate from the premises, any permits and/or licenses which may be required for the installation of signs, and compliance with the Americans of Disabilities Act relating to Tenant's use and occupancy of the demised premises. Subject to the limitations of Section 11(c) of this Lease, Tenant's responsibility and compliance with this paragraph shall also include any present and future governmental or quasi-governmental directives (including without limitation those requirements of the Occupational Safety and Health Administration) that relate to the use and occupancy of the premises including but not limited to the indoor air quality of the demised premises and the maintenance of any heating, ventilating, and air conditioning equipment or system for which the Tenant is responsible pursuant to this Lease.

SECTION 37. Signs

In compliance with Paragraph 13(c) of this Lease Agreement, and any other applicable provisions contained herein, it is understood and agreed that the Tenant will not install any signs other than

what is set forth herein without first receiving written permission from the Landlord, and will be solely responsible for any cost and effort as may be required for the installation or signs on the building or within the demised premises. This responsibility includes the purchase, installation, maintenance, upkeep and removal, if requested by Landlord (and repair after removal of any damage caused by signs), of any such sign(s). Further, Tenant is responsible to obtain and pay for any governmental licenses and / or permits, as may be required for any such sign(s). All signs of the Tenant shall be maintained by the Tenant, and kept in proper order including lighting, repairs, and / or repainting. Landlord makes no representation as to whether or not signage, or the type or size of signage is permitted by governmental authorities at the demised premises or the building. Upon termination of this Lease and/or Tenant's vacating of the premises, Tenant shall, at the option of the Landlord, remove all interior and exterior signage and other advertising material, making all repairs as reasonably necessary as a result of said removal. Notwithstanding the forgoing, Landlord hereby approves of all of Tenant's existing signage and agrees that all of Tenant's existing signage may be removed by, or left by, Tenant at the expiration or earlier termination of this Lease at Tenant's option. Notwithstanding the forgoing, Tenant acknowledges and understands that the total square footage of its signage may be reduced in the event that Landlord obtains another Tenant for space in the Building. In such event, Tenant acknowledges that its signage will be proportionately reduced to a fraction of existing signage, such fraction equaling the square footage of the demised premises divided by the entire square footage of the Building.

Tenant herein is given permission to install an identification sign of size and at a location to be approved by Landlord. Tenant shall present to the Landlord plans and specifications for such signage, for Landlord's approval, prior to said installation.

SECTION 38. Landlord's Liability

Landlord's responsibility under this Lease shall be limited to its interest in the demised premises and in the building of which the demised premises forms a part, and the income derived therefrom including financing proceeds, and no members of Landlord's partnership shall be personally liable hereunder. Tenant agrees to look solely to Landlord's interest in the demised premises and in the building and the income derived therefrom including financing proceeds, for the collection of any judgment, and, in entering any such judgment, the person entering same shall request the Prothonotary to mark the judgment index accordingly. If the demised premises or the building is transferred or conveyed, Landlord shall be relieved of all covenants and obligations under this lease thereafter, provided that notice of said transfer or conveyance is given to Tenant by Landlord and any transferee agrees in writing, for the benefit of Tenant, to assume all of Landlord's obligations hereunder.

SECTION 39. Non-Foreign Entity Attestation

Tenant hereby certifies that Tenant is not a non-resident alien, or foreign corporation, a foreign partnership, a foreign trust, or a foreign estate (as these terms are defined in the Internal Revenue Code and Income Tax Regulations); that Tenant's Social Security number or Federal Income Tax number and Tenant's home or office address are as shown in Part I of this Lease Agreement. Tenant acknowledges that this certification may be disclosed to the Internal Revenue Service pursuant to federal law.

SECTION 40. Captions

The captions of the paragraphs in this Lease Agreement are inserted and included solely for convenience and shall never be considered or given any effect in construing the provisions hereof if any questions of intent should arise.

SECTION 41. Notices

Notwithstanding any other provision in this Lease contained herein to the contrary, any notices required to be given to either party under the terms of this Lease shall be in writing and shall be sent by Overnight, Registered, or Certified Mail as follows:

to the Tenant: Ceco Filters, Inc.
3120 Forrer Street
Cincinnati, Ohio 45209-1016
Attn: Marshall J. Morris

or such other address as Tenant shall designate in writing,

to the Landlord: LFT Realty Group, Inc.
ATTN: Stephen A. Tornetta
600 Old Elm Street
Conshohocken, PA 19428

or such other address as the Landlord shall designate in writing.

Notwithstanding any provision in this Lease to the contrary, Tenant shall not be deemed to be in default for failure to pay rent or other charges unless such failure to pay continues for ten (10) days after written notice thereof from Landlord.

SECTION 42. Fire Insurance.

Lessor agrees to carry policies insuring the Premises and Building against fire and such other perils, including liability coverage, as are normally covered by Lessor in an amount of at least ninety (90%) percent of the replacement value of such improvements or with such higher limits so that Landlord is not deemed a co-insurer, together with insurance against such other risks (including loss of rent) and in such amounts as Lessor deems appropriate. Lessee agrees to pay to Lessor their proportionate share of said insurance upon the premises of which the demised premises is a part, based upon the percentage by which Landlord's square footage bears to the entire square footage of the Building during the term of this Lease, renewals or extensions thereof. The Lessee, as stated above, shall pay such cost of said insurance, to Lessor as additional rent, in addition to the minimum rental hereon reserved, within thirty (30) days of proof of payment of such insurance. Such insurance shall not include Lessee's furniture, fixtures, equipment or improvements. The amount due hereunder on account of said insurance shall be apportioned for that part of the first and last calendar years covered by the term hereof.

SECTION 43. Structural Repairs.

During the term of this Lease Agreement, and any extensions or renewals thereof, Landlord is responsible for any structural repairs to roof and exterior walls of the demised premises. Landlord's obligation to pay for such repairs, or replacements if necessary, shall not extend to any damage caused by the Tenant, it's agents, employees and/or invitees. In this event, the cost of any such repairs or replacements, if necessary, shall be borne exclusively by Tenant. Tenant moreover has no rights whatsoever to said roof area and shall not, in any way, cause to have any appurtenances attached thereto except as may be existing as of the date of this Lease.

SECTION 44. Estoppels Certificate.

Either party shall, at any time and from time to time, within twenty (20) days following the written request from the other, execute, acknowledge, and deliver to the requesting party a written statement certifying that this lease is in full force and effect and unmodified (or, if modified, stating that nature or such modification), certifying the date to which the rent reserved hereunder has been paid, and certifying that there are not, to the certifying party's knowledge, any uncured defaults or unpaid charges on the part of the other party, or specifying such defaults or unpaid charges if any are claimed, and certifying such other information as the requesting party shall reasonable request. Any prospective purchaser or mortgagee on all or any part of the building or land on which the building is situated may rely upon any such statement by any lending institution or. The failure to deliver such statement within said twenty (20) day period shall be conclusive that this lease is in full force and effect and unmodified, and that there are no uncured defaults in requesting party's performance hereunder.

SECTION 45. Net Charges

It is agreed and understood that Tenant shall be responsible for the payment of Tenant's proportionate share of real estate taxes and fire insurance premiums. It being understood that such insurance shall not include Tenant's furniture fixtures, equipment, or inventory, or Tenant's improvements to the demised premises.

Tenant agrees that it will not keep, use, or offer for sale in or upon the demised premises any article, which may be prohibited by the standard form insurance policy. Landlord acknowledges and agrees that Tenant's existing use as of the date of this Lease does not violate the forgoing paragraph.

SECTION 46. Taxes.

Tenant agrees to pay as additional rent, in addition to the base rent, their proportionate share of all taxes (including assessments) assessed or imposed upon the demised premises during the term of this lease, renewals or extensions thereof. Tenant shall pay Landlord such taxes based on the fiscal year or years of the taxing authorities, or portions thereof during the term hereof (appropriately apportioned for any partial year at the beginning or end of the term hereof) Landlord shall submit to Tenant a copy of any tax bills authorized and prepared by the tax authorities, as well as a bill prepared by Landlord as to Tenant's share of taxes due. Tenant shall at all times be responsible for and shall pay before delinquency Tenant's proportionate share of all county, township, and school real estate taxes assessed against the property, as well as all municipal, county, state or federal taxes assessed against any leasehold interest or any personal property of any kind owned, installed or used by Tenant, as well as all rent, occupancy, transportation, utility, use, amusement or vending machine taxes, now or hereafter imposed. Said taxes shall be paid by Tenant to Landlord on a quarterly basis, in advance, based upon the most recent tax bill.

Landlord has historically, and shall continue to endeavor to take advantage of any early payment discount.

SECTION 47. Common Area Maintenance.

Landlord shall provide, as needed to keep the demised premises and Building operating as it is as of the date of this Lease, certain services to the common areas of the property of which the demised premises is a part as well as the common areas of the entire campus. Said services shall include, but may not be limited to, the cutting of grass, maintenance of landscaping, snow and ice removal, maintenance of sanitary sewer systems, maintenance of retention basins, general periodic clean-up, replacement of exterior lights and bulbs and / or fixtures, common area lighting, repairs to the parking area and access roads, including the main access roads.

SECTION 48. Odors and Emissions.

As the demised premises is located in a (strip shopping center / multi-tenant facility), it is imperative that odors, noise, or any other emissions and / or nuisance, which would originate from the Tenant's operation shall not permeate beyond the walls of the demised premises. Tenant shall be responsible for controlling said odors, noise, emissions and / or nuisance, including the installation of necessary sound and odor controlling devices, as is necessary in not unreasonably disturbing the adjoining tenants. Landlord acknowledges and agrees that Tenant's existing use as of the date of this Lease does not violate the forgoing paragraph.

SECTION 49. Common Parking Area.

Tenant shall have the non-exclusive use in common with the Landlord, other tenants, their guests and invitees, of the automobile parking areas, driveways, and footways. Landlord shall have the right to designate parking areas for the use of the building tenants and their employees, and the Tenant and their employees shall not park in parking areas not so designated specifically including driveways, fire lanes, loading / unloading areas, walkways and building entrances. Notwithstanding the foregoing, Landlord agrees that it will not designate parking for Tenant nor any other tenant at the Building in such a way as to render parking for Tenant inconvenient to the demised premises, or in any event further than 200 feet from the lease line of the demised premises. Landlord agrees that it will not materially alter any portion of the common areas so as to interfere with Tenant's vehicular, pedestrian and truck access to the demised premises from the condition existing as of the date of this Lease. Tenant is permitted to store materials outside the demised premises in the common areas.

SECTION 50. Outside Storage.

Outside storage is not permitted without advance approval in writing from the Landlord, such approval not to be unreasonably withheld, delayed or conditioned. Long-term trailer storage on any portion of the property is not permitted. Landlord hereby pre-approves of 5,700 square feet of outdoor storage.

SECTION 51. Pest Control.

Tenant agrees that should it be required in the Tenant's facility, or in adjacent facilities, that the Tenant shall contract with a pest exterminating contractor to exterminate as may be necessary and as may be directed by the Landlord. The sole cost and expense of this service shall be the responsibility and obligation of the Tenant, and a copy of said contract shall be delivered to Landlord annually without demand.

SECTION 52. Construction & Remodeling.

The Leased premises shall be delivered "AS IS."

SECTION 53. "As Is" Condition

It is agreed and understood that the demised premises is being leased in "AS IS" condition, and the Tenant accepts the responsibility for any renovations, alterations, improvements and decorating that Tenant may require in the performance of Tenant's business except to the extent specifically allocated to Landlord hereunder. Tenant agrees not to damage the demised premises or the building of which the demised premises forms a part, in the process of installing or constructing any such improvements. Further, Tenant is responsible for repairs, replacements and maintenance, as may be necessitated during the term of this Lease, with the exception of the roof and structural members of the demised premises of which Landlord is solely responsible, provided Tenant, its employees, invitees, etc. are not negligent. In this event, any such repairs, replacements or maintenance, if necessary, shall be borne exclusively by Tenant. Tenant moreover has no rights whatsoever to said roof area and shall not, in any way, cause to have any appurtenances attached thereto except as may exist as of the date of this Lease.

Any primary or underground plumbing, primary electrical work, or work beyond the demised premises area, as well as roof, exterior walls and floor penetrations, not the responsibility of Landlord hereunder must be approved in writing by the Landlord, at the sole cost and expenses of the Tenant. Should the Landlord elect to provide this service work, Landlord will be competitive and reasonable in price, materials, and quality of workmanship. All other work on the interior of the demised premises, including but not limited to any special plumbing, electrical, partitions, floor coverings and decorating, shall be the responsibility of the Tenant.

If so required by Section 12(d), the Tenant shall submit plans for all improvements to be done by the Tenant for Landlord's approval before any work is begun, and all such work is to be done by approved contractors in a workmanship manner in both work and materials as approved by the Landlord. Landlord's approval of any plans, specifications and / or working drawings for Tenant's alterations or improvements shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations now in force, or which may hereafter be in force of governmental agencies or authorities.

It is agreed and understood that the Tenant agrees to release and forever discharge, indemnify and hold harmless Landlord, or its agents, from any liability arising from or resulting from the acts of the Tenant or any of Tenant's agents, servants, workmen, sub-contractors, and / or employees at the demised premises, performing any work and/or services for or on behalf of Tenant.

SECTION 54. Additional Terms

Tenant shall have use of all office space and warehouse space (except as delineated at Exhibit A) in the Building upon commencement of the term. Tenant shall pay all utilities used on the entire premises until such time as Landlord obtains another tenant(s). If and when Landlord obtains another tenant during the term of this lease, then Landlord shall provide sixty (60) days prior written notice to Tenant for tenant to vacate all portions of the Building outside of the 16,000 +/- foot area designated as the Premises which will be demised by Landlord for Tenant's use. Tenant shall only pay its proportionate share of taxes, insurance, and common area maintenance for the demised premises, even if Tenant is utilizing more than the demised premises as set forth herein.

If and when Landlord obtains another tenant(s), then Landlord shall pay all costs associated with separating Tenant from all other tenants in the building, said costs including the construction of demising walls and separation (or separately metering) utilities. Tenant shall pay its own moving costs for moving into the demised premises, as well as all costs associated with its telephone and computer systems and wiring. Any and all work done by Landlord in connection with demising the demised premises for Tenant as contemplated herein shall be done, causing as little interference to Tenant's operations and business as possible. Further, all such work to be completed by Landlord shall be done in a good and workmanlike manner and in compliance with all laws

TENANT HAS CAREFULLY READ AND UNDERSTANDS ALL OF THE PROVISIONS OF THIS LEASE, INCLUDING THE PROVISIONS CONCERNING ENTRY OF AND EXECUTION ON CONFESSED JUDGMENT. IN NEGOTIATING THIS ARMS-LENGTH COMMERCIAL LEASE, TENANT HAS EITHER BEEN REPRESENTED BY COUNSEL OR HAS DELIBERATELY CHOSEN, FOR BUSINESS REASONS, NOT TO BE REPRESENTED BY COUNSEL.

IN WITNESS WHEREOF, the parties hereto have executed these presents on /April 10, 2003/ and intend to be legally bound thereby.

Witness:	LFT Realty Group (Landlord)
/s/	BY: /s/ Stephen A. Tornetta
	Stephen A. Tornetta, Treasurer
Attest:	Ceco Filters, Inc. (Tenant)
/s/	BY: /s/ Michael J. Meyer

Exhibit "A"

Description of the Premises

Exhibit B

Landlord's Work

Intentionally Omitted

Exhibit 10.49

AGREEMENT OF SALE AND PURCHASE OF REAL ESTATE

THIS AGREEMENT is made as of this /10th/ day of April, 2003 ("Effective Date") by and between, Plymouth Industrial Center, Inc., a Pennsylvania Corporation with offices at 600 Old Elm Street, Conshohocken, Pennsylvania, or its permitted assignee (hereinafter "Buyer"), and Ceco Filters, Inc. a Delaware Corporation with offices at 1029 Conshohocken Road, Conshohocken, Pennsylvania, (hereinafter called "Seller").

WITNESSETH:

Seller is the owner of a certain 2.43 acre tract of land, together with the buildings and improvements erected thereon, located in Plymouth Township, Montgomery County, Pennsylvania, known and numbered as 1029 Conshohocken Road, Conshohocken, Pennsylvania 19428 (TPN 33-_____) more fully described in Exhibit "A" attached hereto and made a part hereof. The aforesaid land, buildings and improvements, together with the fixtures and mechanical and utility systems thereon, are hereafter collectively called the "Property". Seller is also the owner of tangible personal property located on the Property as particularly described at Schedule 2 attached hereto (hereinafter collectively called "Tangible Personal Property"). Seller now desires to sell to Buyer and Buyer desires to purchase from Seller the title to the Property and the Tangible Personal Property. Therefore, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Agreement to Sell and Purchase. Seller agrees to sell the Property and the Tangible Personal Property to Buyer, and Buyer agrees, subject to the terms and conditions of this Agreement, to purchase the Property and the Tangible Personal Property from Seller. This sale includes (a) all right, title and interest, if any, of the Seller in and to any land lying in the bed of any street, road or avenue, opened or proposed, in front of or adjoining the Property to the center line thereof, (b) rights-of way for passageways appurtenant to or benefiting the Property, if any, (c) any award made or to be made in lieu thereof and in and to any unpaid award for damages to the Property or any part thereof by reason of change of grade or the closing of any street, road or avenue, if any, and (d) all strips and gores, if any, abutting or adjoining the Property. The Seller shall execute, acknowledge and deliver to the Buyer, at settlement or thereafter, on demand, all reasonable instruments for the assignment and collection of any award covered by (c) above.

2. Purchase Price. The purchase price for the Property is the sum of One Million Two Hundred Eighty Thousand Dollars ($1,280,000) and the purchase price for the Tangible Personal Property is the sum of Three Hundred Twenty Thousand Dollars ($320,000). The purchase price for the Tangible Personal Property shall be allocated as set forth in Schedule 2 attached hereto. The Buyer shall pay the purchase price for both the Property and Tangible Personal Property to the Seller in immediately available funds, at the time and place of settlement.

3. Possession. Except for the Lease (defined below) upon completion of settlement, Seller shall deliver to Buyer the Property (and all systems contained therein, including the plumbing, heating,

electrical and air conditioning systems) in good operating condition, normal wear and tear excepted, and except as set forth on Schedule 3 attached hereto and made a part hereof, broom clean and free and clear of all tenancies of every kind and of parties in possession except as may be disclosed to and accepted by Buyer. Buyer acknowledges that Schedule 3 may be supplemented after Buyer's inspections pursuant to Section 12 during the Term of this Agreement.

4. Condition of Title. Title to the Property shall be (a) good and marketable and free and clear of all leases, liens, encumbrances, (including any for unsettled taxes or for failure to deliver a Bulk Sales Corporate Clearance Certificate), restrictions and easements, except for occupancies, as may be disclosed to and accepted by Buyer pursuant to Section 12(b), easements and restrictions of record as may be disclosed to and accepted by Buyer pursuant to Section 12(b), and legal highways, and (b) insurable as aforesaid at regular standard rates by any reputable title insurance company of Buyer's choice pursuant to an ALTA Policy of Owner's Title Insurance (1990-Revised 10-17-92) (at Buyer's sole cost and expense).

If title to the Property cannot be conveyed to Buyer at the time of settlement in accordance with the requirements of this Agreement, then Buyer shall have the option:

(a) Of taking such title as Seller can convey by waiving the unfulfilled condition, without abatement of the purchase price, whereupon the parties shall consummate the transactions herein contemplated and the provisions relating to the condition of title shall be deemed waived by Buyer; or

(b) Of terminating this Agreement by written notice to Seller, whereupon this Agreement shall be deemed terminated as of the date of such notice and neither Seller nor Buyer shall then be further obligated to the other.

5. Settlement. Settlement hereunder shall be held at the offices of LFT Realty Group, Inc., 600 Old Elm Street, Conshohocken, on the earlier of (i) thirty (30) days after the Buyer's receipt of a fully executed original or counterpart facsimile of this Agreement or (ii) June 3, 2003 at 10:00 am. or at such other earlier time or place as both parties may agree in writing ("Closing Date"). All payments herein required shall be made promptly in accordance with this Agreement, the time of such payments and such settlement being of the essence of this Agreement.

6. Waiver of Tender. Intentionally Omitted.

7. Brokerage. Seller and Buyer each warrant and represent to the other that they have had no dealings, negotiations or consultations with any broker or finder in connection with this sale. Seller and Buyer each hereby indemnify and agree to hold harmless the other from and against any loss or liability by reason of any breach by it of the foregoing warranty and representation.

8. Provisions with Respect to Settlement. At settlement:

(a) Seller shall deliver to Buyer a Special Warranty Deed for the Property, duly executed and acknowledged and in proper form for recording, so as to convey good and marketable and insurable

title to the Property subject only to the terms set forth in Section 4 hereof. In addition, if requested by Buyer, Seller will provide Buyer with a Bill of Sale, duly executed and acknowledged, for any of the Seller's personal property located on the Property (including personal property attached to the real property which by state law is still considered personal property).

(b) Buyer shall deliver to Seller the purchase price as described in Subsection 2 hereof.

(c) All realty transfer taxes, if any, shall be paid in equal shares by Buyer and Seller. Costs of recording (other than for the recording of any release or satisfaction of mortgage) and notary fees shall be borne by Buyer.

(d) Real estate taxes, water and sewer rents and any other lienable municipal services shall be equitably pro-rated as of the settlement date based on the fiscal year of the levying authority.

(e) Seller shall deliver to Buyer the original or a true and correct copy of Seller's Use and Occupancy Permit, if in Seller's possession, and copies of all other licenses, permits, authorizations and approvals in Seller's possession.

(f) Seller shall deliver to Buyer an assignment of all transferable licenses, permits, certificates and approvals existing in connection with the Property and in Seller's possession, if any, and only to the extent assignable, provided that the actual and reasonable cost of such transfer or assignment shall be borne by Buyer.

(g) Seller shall deliver an assignment to Buyer of any remaining warranties or guaranties, in Seller's possession, of any general contractors, subcontractors, materialmen and equipment suppliers performing any work on, or supplying any material to, the Property, together with the original, executed copies of any such warranties and guaranties, to the extent assignable and provided that the actual and reasonable cost of such transfer or assignment shall be borne by Buyer.

(h) Seller shall deliver to Buyer the original of (or a copy of, if the original is unavailable) and an assignment of all rights and interest of Seller in and to the Tangible Personal Property and all contracts, agreements, building plans, blueprints, surveys and any other documents, of whatever nature, in any way relating to the occupancy or operation of the Property, to the extent such documents are in Seller's possession, and to the extent assignable and provided that the actual and reasonable cost of such transfer or assignment shall be borne by Buyer.

(i) Each party shall execute and deliver to the other such documents as are reasonably requested to effectuate the transaction contemplated by this Agreement, provided that the form of such documents shall be reasonably satisfactory to the party asked to provide such document.

9. Notices of Violations. On or before that date which is five (5) days after Seller's receipt of a fully executed original or facsimile counterpart of this Agreement, Seller shall provide to Buyer, in writing, a schedule of all notices of violations of building, fire or safety codes or similar ordinances or laws with respect to the Property which have been issued by any municipal or other public authority as of such date and in Seller's possession, and Seller further agrees to notify Buyer, in

writing, of any similar notices received between such date and the date of settlement. Notwithstanding the foregoing, Seller shall have no obligation to cure such violations prior to settlement, though Buyer shall have all termination rights set forth in Section 12 of this Agreement.

10. Condemnation and Casualty. Seller agrees to maintain casualty insurance covering the Property, until settlement, in an amount of at least One Million Six Hundred Thousand Dollars ($1,600,000), and agrees to provide to Buyer a certificate of such insurance on or before that date which is five (5) days after the date on which Seller receives an executed original or facsimile counterpart of this Agreement. If, between the date hereof and the date of settlement, the Property is damaged by fire or other casualty, or if any part of the Property shall be condemned by any governmental or lawful authority, Seller shall promptly give notice thereof to Buyer, and Buyer shall have the option of:

(a) Completing the purchase, in which event all condemnation or insurance proceeds to the extent of the Purchase Price shall be payable to the Buyer, or if such proceeds are not then available, the Seller shall assign all claims therefore to the Buyer, provided that Seller shall be entitled to all such proceeds to the extent they exceed the Purchase Price; or

(b) Terminating this Agreement, in which event neither the Seller nor the Buyer shall be further obligated to the other hereunder and the Deposit, and all interest thereon, shall be returned to the Buyer.

11. Assessments. Subject to Seller's right to refuse to cure set forth in Section 12, Seller shall be responsible to pay for all assessments levied against the Property prior to the date of settlement. Subject to Seller's right to refuse to cure set forth in Section 12, if, at the time of settlement, the Property, or any part thereof, shall be affected by an assessment(s) which is required to be paid by Seller by the provisions of this Section and which is or may be payable in annual or other installments of which the first installment is then a lien or has been paid, then for the purpose of this Agreement, all of the unpaid installments of any such assessment(s) including those which become due and payable after settlement shall be deemed to be due and payable and liens upon the Property and shall be paid and discharged by seller at settlement.

12. Contingencies. This Agreement is contingent in its entirety upon the following:

(a) Inspections. Buyer shall have the right, upon prior notice to Seller, of inspecting the property and Buyer shall have until the Closing Date, the sole discretion to either accept the property or reject the property, for whatever reason. Also, Buyer may retain an environmental consultant in all respects acceptable to Buyer, in-Buyer's sole discretion, prepared by an environmental consultant selected by Buyer, at Buyer's expense, evaluating the environmental condition of the Property including, without limitation, land, groundwater, surface water and improvements (commonly referred to as a "Phase I Report").

(b) Title Contingency. Buyer's receipt of a satisfactory title commitment in Buyer's sole opinion, on or before the Closing Date.

(c) Each parties' delivery to the other of a fully executed Lease Agreement by and between Buyer and in the form attached as Exhibit B ("Lease") on or before settlement hereunder.

(d) Failure to Satisfy Contingencies. In the event that Buyer is unsatisfied with any condition of the Property discovered pursuant to Section 12(a), or is unsatisfied with any condition of title as determined by inspection as set forth in Section 12(b), Buyer may either (i) terminate this Agreement by written notice to Seller after which neither party hereto shall have any further obligation or responsibility to the other or (ii) identify the objectionable matters to Seller, in writing, on or before the Closing Date. On or before the Closing Date, Seller shall either (i) cure or agree to make arrangements to cure such objectionable matter on or before the Closing Date or (ii) notify Buyer, in writing, that Seller refuses to cure such objectionable matter on or before the Closing Date. If Seller refuses to cure any such objectionable matter, then Buyer may either (i) terminate this Agreement after which neither party hereto shall have any further obligation or responsibility to the other or (ii) proceed to settlement by accepting the Property and Tangible Personal Property in such condition as Seller is willing to give, and any representation or warranty of Seller that would be modified by such objectionable matter shall be deemed modified to exclude such objectionable matter from such representation and warranty, provided further that in the event Buyer fails to elect either option (i) or (ii) as described in this sentence on or before the Closing Date, Buyer shall be deemed to have elected option (i) and this Agreement shall be deemed terminated.

Buyer agrees that it will promptly upon receipt, but in no event less than three (3) days before the Closing Date, provide Seller with a copy of any and all inspections and reports relating to the Property or Tangible Personal Property including without limitation any title exam or commitment, any survey, any environmental report and any inspection report or notes thereof.

13. Fixtures. Trees. Shrubbery. Etc. All plumbing, heating, air conditioning, security and lighting fixtures and systems appurtenant thereto, and forming a part thereof, as well as all trees, shrubbery and plantings now in or on the Property, unless specifically excepted in this Agreement, are to become the property of the Buyer and are included in the purchase price. None of the above mentioned items shall be removed by Seller from the premises after the date of this Agreement. Seller hereby warrants that Seller has good legal title, free and clear of any claim and encumbrance, to all the articles described in this Section, and that the articles described above will be in good order and repair on the date of settlement, normal wear and tear excepted and except as may be disclosed at Schedule 3 attached hereto and made a part hereof, as such Schedule may be modified as provided herein.

14. Buyer's Inspection Prior to Settlement. Seller agrees to permit Buyer, or its agents, to inspect the Property at reasonable times before settlement and once within forty eight (48) hours of settlement.

15.1 Seller's Warranties. Seller warrants, covenants and represents to Buyer as follows, all of which warranties, covenants and representations are and shall be true and correct as of the Effective Date and shall be true and correct as of the date of settlement:

(a) Seller has full power and authority to enter into this Agreement and to perform its obligation hereunder.

(b) Other than the Lease, there will be at the time of settlement no tenants, occupants or other parties having any right or option to occupy the Property or any portion thereof except as may be disclosed in the title commitment;

(c) To Seller's knowledge, no assessments for public improvements have been made against the Property, which remains unpaid, and Seller has not received notice of any proposed assessment for public improvements.

(d) To the best of the knowledge of Seller's operations manager for the Property, there are no actions, suits or proceedings pending, threatened against or affecting the Property or any portion thereof, or relating to or arising out of the ownership, management, operation or occupancy of the Property.

(e) To the best of the knowledge of Seller's operations manager for the Property, there are no violations of any federal, state, county or municipal law, ordinance, order, regulation or requirement affecting any portion of the Property, and no notices of any such violations have been issued by any municipal or other governmental authority, by any insurance carrier which has issued a policy with respect to the Property, or by any board of underwriters (or other body exercising similar functions), requiring or calling attention to the need for any work, repairs, construction or installation on, about, or in connection with the Property, except as set forth in the report attached as Schedule 4.

(f) To Seller's knowledge, there are no employment, management, service, equipment, supply, maintenance or concession agreements which in any way affect the Property, and Buyer shall be under no obligation to- hire, or recognize any responsibility to, and person, persons or companies employed by Seller in connection with the ownership or operation of the Property.

(g) To the best of the knowledge of Seller's operations manager for the Property, there is no defective condition, structural or otherwise, in the building or other improvements on the Property except as set forth at Schedule 3, attached hereto and made a part hereof, as such Schedule may be supplemented as described herein. The heating and air conditioning, plumbing, electrical and drainage systems, at or servicing the Property, and all facilities and equipment relating thereto are in good condition and working order except as set forth at Schedule 3, attached hereto and made a part hereof, as such Schedule may be supplemented as described herein.

(h) To the best of the knowledge of Seller's operations manager for the Property, and except as set forth in the report attached hereto as Schedule 5:

(1) The Property (including, without limitation, the land, surface, water, groundwater and improvements therein or thereon) is free of all contamination ("Contamination") including, without limitation, (A) any "hazardous waste", as defined in the Resource Conservation and Recovery Act of 1976, as amended form time to time, and regulations promulgated thereunder; (B) any "hazardous substance", "pollutant" or "contamination", as defined in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; (C) any oil,

petroleum products and their by-products; and (D) any substance the presence of which on the Property is prohibited or regulated under any federal, state or local law similar to those referred to above.

(2) The Property is in compliance with all federal, state and local environmental laws, regulations and ordinances, and Seller has not been notified by the United States Environmental Protection Agency or any state or local governmental health or environmental protection agencies that it is in violation of any federal, state or local environmental law, regulation or ordinance or that it is under investigation with respect to a possible violation of any such law, regulation and/or ordinance pertaining to Seller's ownership or use of the Property.

(3) No underground septic system, waste storage or distribution system or petroleum product or by-product storage system exists on the Property.

(i) From the date hereof until settlement, Seller shall continue to operate and maintain the Property in the same fashion as it has heretofore, except that Seller shall not enter into any new lease, or other wise make any commitment or agreement respecting the Property which will be binding upon or will effect Buyer, without prior consultation with and written consent from Buyer.

(j) This Agreement constitutes a valid and binding obligation of Seller enforceable in accordance with its terms. Neither the execution and delivery nor the performance of this Agreement will result in any breach of any term or provision of any contract, agreement or other instrument, or any judgment, decree or order of any court to which Seller is a party, or by which Seller may be bound. No consent or authorization of any person, firm, corporation or other entity pursuant to any of the aforementioned instruments or otherwise is required as a condition precedent to the consummation by Seller of this Agreement or the transactions contemplated hereby.

(k) To Seller's knowledge, any and all tax returns or reports of any nature whatsoever required to be filed up to the date of settlement will have been duly filed by the Seller, and all payments reported on such returns and reports as due from the Seller, together with all interest and penalties relating thereto, shall have been paid in full by Seller as of the date of settlement.

(l) To Seller's knowledge, all documents, instruments, books and records furnished to Buyer, whether or not referred to or made a part of this Agreement, are in all respects true, correct and complete.

Seller shall supplement and modify any representation or warranty contained herein based upon information obtained prior to settlement.

15.2 Buyer warrants, covenants and represents to Seller as follows, all of which warranties, covenants and representations are and shall be true and correct as of the Effective Date and shall be true and correct as of the date of settlement:

(a) Buyer has full power and authority to enter into this Agreement and to perform its obligations hereunder.

(b) The Buyer's representative executing this Agreement and any and all other documents in connection with the transaction contemplated by this Agreement has full authority to execute and deliver such documents and to bind the Buyer.

(c) This Agreement constitutes a valid and binding obligation of Buyer enforceable in accordance with its terms. Neither the execution and delivery nor the performance of this Agreement will result in any breach of any term or provision of any contract, agreement or other instrument, or any judgment, decree or order of court to which Buyer is a party, or by which Buyer may be bound. No consent or authorization of any person, firm, corporation or other entity to any of the aforementioned instruments or otherwise as required as a condition precedent to the consummation by Buyer of this Agreement or the transactions contemplated hereby.

16. Certifications. Intentionally Omitted.

17. Tax-Free Exchange Provisions. Seller and Buyer agree that Buyer or Seller may assign this Agreement to an intermediary ("Intermediary") or have the Intermediary join in as a party to this Agreement to act in place of Buyer or Seller as the buyer or seller of the property (as the case may be) for the purpose of accomplishing a tax deferred exchange under Section 1031- of the Internal Revenue Code of 1986, as amended. Each party agrees to reasonably cooperate and execute any documents reasonably requested by the other in order to carry out the other's tax deferred exchange and the intent of this Section 17.

18. Entire Agreement. This is the entire agreement between Seller and Buyer covering everything agreed upon or understood in this transaction. This Agreement shall not be altered, amended or changed except by written agreement signed by both parties.

19. Descriptive Headings. The descriptive headings used herein are for convenience in reference only and they are not intended to have any affect whatsoever in determining the rights or obligations of the parties hereto.

20. Notices. All notices, requests and other communications under this Agreement shall be in writing and shall be sent by certified mail, return receipt requested, deliver to addressee only, addressed as follows:

If intended for Seller:

CECO Environmental Corporation
Attn: Marshall Morris, CFO
3120 Forrer Street
Cincinnati, Ohio 45209-1016

If intended for Buyer:

600 Old Elm Street
Conshohocken, PA 19428
Attn: Steve Tornetta

or at such other address of which Seller or Buyer shall have given notice as herein provided. All such notices, requests and other communications shall be deemed to have been sufficiently given for all purposes herein when they have been received.

21. Survival. The representations and warranties set forth in this Agreement by either party shall survive the settlement and closing of the transaction contemplated by this Agreement for a period of twelve (12) months.

22. Binding Effect. This Agreement shall extend to and bind the heirs, successors and assigns of Buyer and Seller.

23. Waiver. Any failure of a party to comply with any obligations, agreements or conditions as herein set forth may be expressly waived, in whole or in part, in writing by the other party.

24. Counterpart Execution. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of such executed counterpart by facsimile shall be deemed a delivery of an original counterpart.

25. Severability. If any provision of this Agreement shall be declared void or unenforceable by a court of competent jurisdiction, such void or unenforceable provision shall not in any way impair the whole Agreement, and this Agreement shall remain in full force and effect as *to* the other remaining provisions. Any such void or unenforceable provision shall be deemed, without any further action on the part of any party, modified, amended and limited to the extent necessary *to* render the same valid and enforceable in such jurisdiction.

26. Assignment. Buyer shall have the right and authority to assign this Agreement or any portion hereof and any or all of her rights hereunder to any person, firm, corporation or other entity whose controlling principal is Lawrence F. Tornetta, Sr.

27. Governing Law. This Agreement shall be construed and governed by the laws of the Commonwealth of Pennsylvania.

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

Attest:

/s/

Buyer: /s/

Plymouth Industrial Center, Inc.

Attest:

/s/

Seller: /s/ Michael J. Meyer

Ceco Filters, Inc.

EXHIBIT “A”

[Legal Description]

SCHEDULE 1

SCHEDULE 2

TANGIBLE PERSONAL PROPERTY

1. HVAC Roof Unit #1, BDP Furnace / Cooler Unit, s/n 4080G06236
   HVAC Roof Unit #2, BDP Furnace / Cooler Unit, s/n 3282G06929
2. ACECO overhead crane s/n 155-A-1442
   ACECO overhead crane s/n 155-B-1443
   ACECO overhead crane s/n 155-C-1440
   ACECO overhead crane s/n 155-D-1441
3. All Emergency Lighting
4. All Exit Signs
5. Five ceiling fans located in first floor office area
6. All fire extinguishers
7. ADT Burglar Alarm System
   Fire Alarm System
   Sprinkler System
8. All plumbing fixtures
9. Elkay water fountain located in plant hallway
10. All interior and exterior lighting systems
11. All electrical systems except equipment specifically associated to filter production, test stand, oven, press areas and computer network system hubs etc.
12. Four window unit air conditioners located in vacated production offices (red brick bldg.)

SCHEDULE 3

Open Maintenance Requirements

In-house Labor:

13. Repair panic bar on emergency exit/fire escape door.
14. Repair hinge assembly on roof hatch.
15. Remove all remaining items in loft, ask Matt if he wants anything before disposing into dumpster.
16. Remove old water heater and debris in basement, broom sweep floor and stairwell.
17. Repair two downspouts located on side of stucco bldg.
18. Replace exterior rotted “wooden man way” door on factory.
19. Replace burnt out emergency light and exist light bulbs, replace batteries as needed.
20. Change batteries on all aux. smoke detectors.
21. Replace all fluorescent light tubes needed.
22. Police outside areas for trash/debris and dispose of as needed.

Outside Labor:

1. Aluminum Seal Coat office & warehouse roofs, inspect factory roof.
2. All second floor windows have condensation, sign of broken seals.
3. Repair/replace lockset on ladies locker room door.
4. Factory man way doors need service/replacement.
5. All overhead doors should be serviced, greased and seals checked.
6. Repair broken light switch in brick warehouse - bathroom hallway.
7. Patch two sections of concrete floor.
8. Side emergency exit door needs panic hardware installed.

9. First floor emergency exit and fire escape doors show signs of rust repair - replace as needed.
10. Left of main entrance stucco needs to be patched.
11. Damper Guards on oven side of factory need to be replaced or sealed.
12. Repair gutter at rear left corner of factory.
13. Clean gutters as needed.
14. Remove old wiring remaining from previous “Cardiac Tenant.”
15. Broken Sewer Line:
    - Ray Shaffer Inc, w/o# 990709009 dated Oct. 13, 1999
    - Safety-Kleen soil analysis report control no. 1957551-7.
16. Crane Repair:
    - American Crane & Equipment Corp. (ACECO) Annual OSHA Compliant Crane and Hoist Inspection report no. F020104 dated May 9, 2002.
17. Roof Maintenance:
    - entire roof on main office building and brick warehouse was Aluminum Coated in Aug/Sept. 1995.
    - minor repair due to wind damage on brick warehouse Sept. 12, 2002 by Joseph Degrazio Roofing.
    - minor repair of gutter section due to ice dam on brick warehouse Feb. 27, 2003 by Joseph Degrazio Roofing.
18. HVAC System:
    - entire system under preventive maintenance agreement with Elliot Lewis Corp. for approx. eight years. No know issues with the system at this time.

SCHEDULE 4

Violations of Laws and Ordinances

1) Sprinkler System:

- Sentinel Service Annual Fire Sprinkler Inspection Report dated September 26, 2002.

2) OSHA Inspection: although this pertains to our business operations not the building purchase and should be covered by lease agreement. I think it is a good idea to disclose it now to demonstrate our good faith in negotiations.

- U.S. Department of Labor - OSHA, Citation and Notification of Penalty, Inspection No. 122024110 dated August 9, 1995.
- August 29, 1995 Settlement Agreement - Report No. 122024110.

SCHEDULE 5

Phase I Environmental Report

EXHIBIT “B”

Lease Agreement

Exhibit 10.50

PURCHASE AGREEMENT

This Purchase Agreement ("Agreement") is made as of the /20th/ day of /November/, 2003, (hereinafter the "date of this Agreement") by **CINCINNATI GALLERIA, LLC,** an Ohio limited liability company ("Purchaser") and **THE KIRK & BLUM MANUFACTURING COMPANY**, an Ohio corporation ("Seller").

1. **Property.** Seller agrees to sell and convey to Purchaser, on the terms and subject to the conditions contained in this Agreement, the land as approximately shown on Exhibit A attached hereto and made a part hereof, which contains approximately 10.7298 acres together with all improvements located thereon, and together with any and all appurtenant rights and easements (collectively, the "Property"). Notwithstanding the foregoing, Seller, at its sole discretion, may remove any property from the Property, whether such Property may be considered personal property, real property or a fixture, including without limitation cranes, conveyors, electric bus ducts and all other property on the Property (in accordance with the terms of Section 5 of this Agreement).

2. **Purchase Price.** The Purchase Price ("Purchase Price") for the Property shall be * ($ *) The Purchase Price shall be payable as follows:

(a) Unless Purchaser sooner terminates this Agreement or closes, which Purchaser shall have the right to do, then Purchaser shall pay to Seller a non-refundable payment in the amount of One Hundred Thousand Dollars ($100,000.00) (the "Deposit") on or before January 15, 2004, to be applied to the Purchase Price due at "Closing" (as hereinafter defined); and

(b) The remainder of the Purchase Price, subject to any credits or prorations provided for by the terms of this Agreement and a credit for the Deposit shall be payable at the Closing by certified or cashier's check, title company escrow check or by wire of immediately available funds.

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* CONFIDENTIAL INFORMATION HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

3. **Conveyance.** At the Closing, Seller shall deliver to Purchaser a duly executed and acknowledged limited warranty deed (the "Deed"), conveying to Purchaser recordable, marketable, and indefeasible title to the Property in fee simple, free and clear of all liens and encumbrances, of record and in fact, subject only to the following ("Permitted Exceptions"): (a) easements, encumbrances and restrictions of record (but, in any event, Seller shall be required to remove all mortgages and other monetary liens, except for real estate taxes and installments of assessments not yet due and payable); (b) installments of real estate taxes and assessments which are a lien upon the Property, but not yet due and payable; (c) Seller's post Closing occupancy rights; and (d) the rights of property owners in and to private roadways pursuant to recorded documents, public highways, public right of ways and rights of the public to utilize streets, as described herein.

4. **Inspection.**

(a) **Property Inspection.** Seller shall make the Property available for inspection by Purchaser, its agents and employees from the date of this Agreement through the date of Closing, and Purchaser may undertake at Purchaser's sole expense, as complete a physical and environmental inspection and investigation of the Property and the circumstances surrounding the Property as Purchaser deems appropriate in order to determine that the Property is suitable for the development, construction, operation and use of a commercial project, together with and in conjunction with adjacent real property being acquired by Purchaser (the "Project"). Purchaser agrees to restore the Property to its original condition upon completion of any such inspections, and to indemnify Seller against all damages incurred by Seller as a result of the entry upon the Property by Purchaser's agents or employees. Purchaser shall, promptly after receipt, provide Seller with copies of all inspection reports regarding the physical condition of the Property as generated pursuant to this Section.

(b) **Title and Survey.** Prior to January 1, 2004, Purchaser shall obtain at Purchaser's expense a title insurance commitment ("Title Commitment") from Lawyers Title of Cincinnati, Inc. as agent for Lawyers Title Insurance Corporation (the "Title Company"). In addition, Purchaser may obtain a survey (the "Survey") of the Property prepared by a registered land surveyor, which Survey shall be certified to Purchaser and to the Title Company in the form required by Purchaser and/or the Title Company. The Survey may also (i) show the present location of any improvements on the Property, including any encroachments onto adjoining land and encroachments by adjoining improvements onto the Property; (ii) show all easements whether recorded or visible; (iii) show access to public roads or ways (if any exists); (iv) include the legal description and the gross amount of the total acreage of the Property; (v) include a certification that the Property is not located in the one hundred (100) year flood plain, and (vi) be sufficient to enable the Title Company to delete its standard survey exception and issue a title insurance policy (the "Title Policy") for the Property free from any exceptions relating to survey matters, and if the Property consists of more than one tax parcel, to issue a contiguity endorsement. Purchaser shall, promptly after receipt, provide Seller with a copy of the Title Commitment and survey.

(c) **Title Defects.** If (1) the Title Commitment shows that Seller does not have recordable, marketable, and indefeasible title to the Property in fee simple subject only to the Permitted Exceptions; or if (2) the Title Commitment or the Survey shows that the Property is subject to any title defects, liens, encumbrances, easements, rights-of-way, covenants, reservations or

restrictions other than Permitted Exceptions and mortgages or other monetary liens which Seller agrees Seller will cause to be discharged or canceled at the time of Closing; or if (3) the Survey discloses conditions which are not in conformity with the criteria set forth in the preceding paragraph; or if (4) Purchaser determines that any utility easements or other matters will have an adverse affect upon the ability to fully use the Property for the Project (all of the foregoing being collectively called "Title Defects"), then Purchaser shall give Seller written notice thereof on or prior to January 1, 2004. If, as of January 15, 2004, Seller notifies Purchaser in writing that Seller is unwilling or unable to remove any Title Defect, then Purchaser may, at its option, (i) agree to waive such defects and proceed to close the purchase of the Property as-is; or (ii) terminate this Agreement. If Seller fails to respond to the Title Defect in writing, then Seller shall be deemed to have notified Purchaser that it is unwilling or unable to cure the Title Defect and Purchaser shall have the same options described in the immediately preceding sentence. Purchaser shall elect option (i) or (ii) above by written notice to Seller on or before January 15, 2004. If Purchaser fails to elect either option as provided herein, Purchaser shall be deemed to have elected option (i). If Purchaser terminates this Agreement pursuant to provisions of this sub-paragraph, both parties shall be released from all further obligations hereunder.

5. **Closing; Possession.** The parties hereto agree to close this purchase and sale (hereinafter, the "Closing") on or before May 1, 2004 in the offices of Purchaser or Purchaser's counsel. Purchaser shall have the right to move the Closing to an earlier date with the written agreement of Seller. Seller shall at Closing execute and deliver such other documents or instruments as may be reasonably required by Purchaser, or required by other provisions of this Agreement, or reasonably necessary to effectuate the Closing, including, without limitation, the deed as required by this Agreement, a commercially reasonable title affidavit, such proof of authority as may reasonably be requested, and a closing statement. Purchaser shall deliver the Purchase Price due at Closing pursuant to the terms of this Agreement and execute and deliver such other documents or instruments as may reasonably be required by Seller to effectuate the Closing, including, without limitation, a closing statement.

Seller shall have the right to occupy and possess the Property for up to ten (10) months after the date of Closing, with no rent obligations, but Seller shall be responsible for paying real estate taxes, insurance costs, utility costs and other occupancy and operation costs during its period of occupancy. Prior to January 15, 2004, Seller and Purchaser shall negotiate and execute a lease agreement reflecting such rights and obligations and permitting Purchaser to enter upon the Property during such occupancy period in order to conduct surveys, tests and other activities which do not interfere with Seller's operation of its business at the Property. Seller shall, prior to the date occupancy is to be delivered to Purchaser, remove all property that Seller desires to remove and any items remaining after such date may be disposed by Purchaser in any manner it desires. Both parties agree to negotiate in good faith in order to enter into the above described Lease.

6. **Purchaser's Conditions.**

(a) **Purchaser's Conditions.** The obligation of Purchaser to perform is subject to satisfaction of each of the following conditions on or prior to Closing, which may be waived solely by Purchaser. Purchaser may terminate this Agreement by written notice to Seller, if any of these

conditions are not satisfied to Purchaser's sole satisfaction. If the Agreement is terminated as provided above prior to January 15, 2004 then neither party shall have any further rights or obligations hereunder. If Purchaser terminates this Agreement after January 15, 2004 due to failure to satisfy any of its contingencies hereunder, then Seller shall be entitled to retain the Deposit paid (unless Seller is in default under this Agreement) and neither party shall have any further rights or obligations hereunder.

(i) **Performance by Seller.** Seller shall have not breached any warranty contained in this Agreement nor shall Seller have failed to perform any obligation required by this Agreement to be performed by Seller.

(ii) **Approval of Inspections.** Purchaser shall have determined in its sole discretion, from any inspections and investigations made pursuant to Section 4, including environmental audits, building inspections, market studies, soil tests, traffic studies and any other studies and investigations related to the Property or the Project that Purchaser may elect to conduct or have conducted, that the Property and the conditions and circumstances surrounding the Property are suitable for the Purchaser's intended use of the Property for the Project and for future redevelopment of the same.

(iii) **Title Policy.** The Title Company shall have irrevocably committed itself in writing to deliver to Purchaser an owner's title policy in the full amount of the Purchase Price, insuring in Purchaser good record marketable title to the Property, with all standard and general exceptions deleted or endorsed over so as to afford full "extended form coverage" and showing as exceptions only the Permitted Exceptions, subject only to the requirement that Seller execute and deliver the documents required hereunder, and any Title Defects described in Section 4 shall have been removed.

(iv) **Environmental Audit.** Purchaser shall have determined from existing environmental audits, such new environmental audits as Purchaser may have performed at Purchaser's expense and Purchaser's counsel and environmental consultants review of the same that the Property is not contaminated by any hazardous or toxic wastes or dangerous materials in violation of any law, including without limitation, petroleum products, asbestos materials, bio-hazard materials or any other materials, the disposal, transportation, use, storage or generation of which is governed or regulated by any laws, statutes, codes or regulations which are intended to protect the environment or public health, and that there are no underground storage tanks located on the Property (collectively, "Hazardous Materials") and that there are no Hazardous Materials on, under or around the Property at levels or concentrations which are likely to cause Purchaser, as owner of the Property to be required to perform any governmental ordered or supervised clean-up, either as a result of demolition of existing improvements, construction of the Project or otherwise, or to incur risks of liability which are unacceptable to Purchaser, in its sole discretion.

(b) **Seller's Conditions.** The obligations of Seller to perform under this Agreement are subject to satisfaction of each of the following conditions on or before the date mentioned in each condition. If these conditions are not satisfied on or before the applicable date, then Seller may terminate this Agreement by written notice to Purchaser, whereupon neither party

shall have any further obligations hereunder. If Seller fails to terminate this Agreement by written notice to Purchaser on or before the applicable date mentioned in each contingency, then the contingency contained therein shall be deemed to be satisfied or waived by Seller as of the date so mentioned.

(i) **Performance by Purchaser.** Purchaser shall not have breached any warranty contained in this Agreement nor shall Purchaser have failed to perform any obligations required by this Agreement to be performed by Purchaser. Seller's right to terminate this Agreement pursuant to this Section 6(b) shall expire on the date of Closing.

(ii) **Agreement as to Seller's Post-Closing Possession.** On or before January 15, 2004, Seller and Purchaser shall have agreed to a lease of the Property setting forth Seller's post-closing possessory rights and obligations.

7. **Failure to Close.** Both Purchaser and Seller shall have the right to terminate this Agreement if any of the conditions described in Section 6 are not satisfied or waived on or before the dates referenced therein by written notice of such termination to the other party, whereupon neither party shall have any further obligations to the other under this Agreement. Seller shall have the right to terminate this Agreement only upon the failure of an express contingency set forth in Paragraph 6(b) above. If Purchaser or Seller do not so terminate this Agreement prior to January 15, 2004 then the Purchaser shall pay the Deposit to Seller, which Deposit shall be non-refundable to Purchaser, provided however, if Seller thereafter defaults in any of its obligations hereunder, or if any of Seller's representations and warranties made in this Agreement prove to be untrue, then, in addition to any other legal or equitable remedies available to Purchaser, including specific performance, Purchaser shall have the right to have the Deposit returned to Purchaser. If Purchaser or Seller do not terminate this Agreement prior to January 15, 2004 pursuant to an express right to do so as contained herein, and if Seller does not default in any of its obligations hereunder and none of the Seller's representations and warranties prove to be untrue, but Purchaser fails to close as required by this Agreement, then Seller's sole and exclusive right and remedy shall be to retain the Deposit paid by Purchaser as liquidated damages, the parties acknowledging and agreeing that Seller's actual damages could be difficult if not impossible to ascertain.

8. **Real Estate Taxes and Other Prorations.** Real estate taxes and current installments of assessments for the year in which the Closing occurs shall be prorated as of the date of Closing, based upon the most recently issued tax bills, with Purchaser receiving a credit at Closing for the real estate taxes charged for the time period prior to Closing. If the Property is subject to any assessments, then such assessments shall be likewise prorated at Closing.

9. **Eminent Domain or Casualty.** If all or a material portion of the Property (meaning more than 15% of the acreage of the Property) is taken or is made subject to eminent domain or other governmental acquisition proceedings prior to Closing, then Seller shall promptly notify Purchaser thereof, and Purchaser may either complete the Closing and receive the proceeds paid or payable on account of such acquisition proceedings, including any right to receive the same or terminate this Agreement, in which event Seller shall retain the Deposit, if paid. If any of the buildings or improvements are damaged or destroyed prior to Closing by fire or any other casualty, then Purchaser shall proceed to Closing but Seller shall receive the insurance proceeds paid or payable on account of such damage or destruction, including any rights to receive the same.

10. **Agreements, Representations and Warranties of Seller.** Seller represents, warrants, and covenants to Purchaser as to the following matters, and shall be deemed to remake all of the following representations, warranties, and covenants as of the date of Closing. The truth and accuracy of all of the following representations, warranties, and covenants shall be conditions precedent to Purchaser's obligation to close under this Agreement.

(a) **Validity of Agreement.** To Seller's actual knowledge, the entering into of this Agreement and the consummation of the sale of the Property will not require Seller to obtain (either before or after the Closing) any consent, license, permit, wavier, approval, authorization or any other action of, by, or with respect to any non-governmental or governmental person or entity, except Seller's lenders and Seller's board of directors as described in Section 6(b).

(b) **Violation of Law.** To Seller's actual knowledge, there is no condition existing with respect to the maintenance, operation, use, or occupancy of the Property which violates any statute, ordinance, law, or code, nor has Seller received any notice, written or otherwise, from any governmental agency alleging violations of any law, statute, ordinance, or regulation relating to the Property.

(c) **Legal Proceedings.** To Seller's actual knowledge, there is not pending or, to the best of Seller's knowledge, threatened, litigation, eminent domain proceeding, arbitration, administrative action or examination, claim or demand whatsoever relating to the Property.

(d) **Access.** To Seller's actual knowledge, no fact or condition exists which would result in the termination or impairment of access to the Property from adjoining public or private streets or ways or which could result in discontinuation of necessary sewer, water, electric, gas, telephone, or other utilities or services, except for Purchaser's expressed intention to discontinue operation of the Factory Power Plant.

(e) **Transfer of Property.** Prior to Closing, Seller shall not lease, encumber, or transfer all or any part of the Property without Purchaser's consent. Seller warrants that, except for this Agreement, there are no purchase contracts, options, leases or any other agreements of any kind, oral or written, formal or informal, whereby any person or entity other than Seller will have acquired or will have any basis to assert any right, title, or interest in, or right to possession, use, enjoyment or proceeds of any part or all of the Property except for as may be of record in the Hamilton County Recorder. At or prior to Closing, Seller shall cause all mortgages and other monetary liens (except for real estate taxes and assessments not yet due and payable) to be discharged and released.

(f) **Hazardous Materials.** Prior to the execution of this Agreement, Seller has provided true, accurate and complete copies of a Phase I and Phase II environmental study of the Property (the "Environmental Reports"). Except as disclosed in the Environmental Reports, to Seller's actual knowledge, no Hazardous Materials exist on the Property.

(g) **Cooperation.** Seller shall reasonably cooperate with Purchaser, at no cost to Seller, as may be necessary in order to satisfy Purchaser's conditions in Section 6 of this Agreement, including signing such applications, consents and other documents and instruments as Purchaser may reasonably request for zoning, permitting or other purposes, in its efforts to satisfy conditions and by making available to Purchaser all information which is related to the Property available to Purchaser.

(h) **Service Agreements.** All management and service agreements, if any, affecting the Property will be terminated as of the date of the expiration of Seller's post-Closing occupancy rights so that there shall be no obligations under any management or service agreements affecting the Property after such date.

As used herein, the term "actual knowledge" shall be deemed to mean the actual knowledge of Seller's senior officers.

11. **The Agreements, Representations and Warranties of Purchaser.** Purchaser represents, warrants and covenants to Seller, and shall be deemed to remake all such representations, warranties and covenants as of the date of Closing, that, to Purchaser's actual knowledge (being defined as the actual knowledge of Purchaser's senior officers), entering into this Agreement and the consummation of the purchase of the Property will not require Purchaser to obtain (either before or after the Closing) any consent, license, permit, waiver, approval, authorization or any other action of, by or with respect to any non-governmental or governmental person or entity. Purchaser is authorized, and the person signing on behalf of Purchaser is authorized, to execute and deliver this Agreement and all documents contemplated hereby, and both the Purchaser and the person signing on behalf of Purchaser have the full right, power and authority to consummate the transaction contemplated by this Agreement. The truth and accuracy of the preceding representations, warranties and covenants shall be conditions precedent to Seller's obligation to close under this Agreement.

12. **Notices.** All notices required or permitted by this Agreement shall be in writing, and shall be deemed properly delivered when and if hand delivered, sent by Federal Express or other nationally recognized overnight courier service or deposited in the United States mail, postage prepaid, certified or registered mail, return receipt requested, addressed to the parties hereto at their respective addresses set forth below or as they may hereafter specify by written notice delivered in accordance herewith:

Purchaser: Cincinnati Galleria, LLC
c/o Vision Land Development, LLC
455 Delta Avenue, Suite 108
Cincinnati, Ohio 45226
Attn: Mr. Kent Arnold

With a copy to: Richard D. Herndon
Griffin-Fletcher, LLP
3500 Red Bank Road
Cincinnati, Ohio 45227

Seller: Ceco Environmental Corp.
3120 Forrer Street
Cincinnati, Ohio 45209-1016
Attn: Marshall Morris, CFO

With a copy to: George Vincent, Esq.
Dinsmore & Shohl, LLP
255 East Fifth Street
1900 Chemed Center
Cincinnati, Ohio 45202

13. **Expenses.** Purchaser shall pay for any transfer tax in connection with the sale of the Property. Purchaser shall pay the survey costs, the title insurance premium and recording charges. Each party shall pay for its own legal and accounting fees and other expenses in connection with this Agreement and the sale and transfer of the Property.

14. **Brokers.** Purchaser hereby represents to the Seller that it has not involved or worked with any brokers, agents or finders in the negotiation of this Agreement or the consummation of this transaction and that there are no such other brokers, agents or finders that have any right to claim a commission or fee due to the consummation of this transaction. If any broker, agent or finder claims a commission or fee due to the consummation of this transaction, the Purchaser shall pay any such broker, agent or finder. Purchaser hereby agrees to indemnify and hold harmless the Seller from and against any and all liabilities, including costs and expenses such as attorneys' fees, arising out of any claims by any brokers, agents or finders that they are entitled to such a commission or fee as the result of the actions of the indemnifying party.

15. **Miscellaneous**.

(a) **Entire Agreement; Binding Effect.** This Agreement and the Exhibits attached hereto constitute the entire contract between the parties and supersede all prior understandings, if any. Any subsequent conditions, representations, warranties, or agreements shall not be valid and binding upon the parties unless in writing and signed by both parties. This Agreement shall be binding on and inure to the benefit of the parties and their respective heirs, successors and assigns. Without limiting Purchaser's right to assign this Agreement to any other party, Seller specifically acknowledges that Purchaser may assign this Agreement to any related or affiliated entity or to an intermediary in connection with a like kind exchange under Section 1031 of the Internal Revenue Code and Seller consents to such assignment and agrees to cooperate with Purchaser in completing such assignment, provided however, that Purchaser hereby indemnifies Seller from all costs or expenses incurred by Seller solely on account of this transaction being structured as a like-kind exchange. Purchaser specifically acknowledges that Seller may assign this Agreement to any related affiliated entity or to any intermediary in connection with a like-kind exchange under Section 1031 of the Internal Revenue Code and Purchaser consents to such assignment and agrees to cooperate with Seller in completing such assignment and like-kind exchange provided, however, that Seller shall indemnify Purchaser from all costs or expenses incurred by Purchaser solely on account of this transaction being structured as a like-kind exchange.

(b) **Original Document.** This Agreement may be executed by both parties in counterparts, each of which shall be deemed an original, but all of such counterparts taken together shall constitute one and the same Agreement.

16. **New State Taxes.** If, prior to Closing, new Ohio state sales or services types of taxes are imposed such that the real estate commissions paid under this Agreement are taxed thereby, then Purchaser shall pay such taxes at Closing.

17. **Non-Waiver.** A waiver by either party hereto of any of the covenants, conditions or agreements contained herein to be performed by the other party shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant, condition or agreement herein contained.

18. **Time is of the Essence.** Time is of the essence as to all dates and timeframes in this transaction.

19. **Restriction on Transfer.** Purchaser agrees not to assign this Agreement or transfer the Property, whether before or after Closing, until such time as Purchaser has satisfied all of its obligations under this Agreement (including acting as landlord under the lease referenced in Paragraph 6(b)(ii)) without Seller's written consent, which consent shall not be unreasonably withheld, delayed or conditioned so long as the assignee or transferee agrees, in writing, to fulfill all of Purchaser's outstanding obligations under this Agreement. Purchaser agrees that Seller may, at or after Closing, record an affidavit of facts in the real property records of the Hamilton County Recorder's Office to memorialize Purchaser's obligations under this Section 19 so long as Seller removes such affidavit from the real property records at or before the expiration of the post-Closing occupancy period.

EXECUTED as of the day and year first above written.

Witnesses:

_____

Print Name _____

_____

Print Name _____

PURCHASER:
CINCINNATI GALLERIA, LLC,
an Ohio limited liability company

By /s/ Kent M. Arnold

Print Name: Kent M. Arnold

Its: President

SELLER:
THE KIRK & BLUM MANUFACTURING COMPANY,
an Ohio corporation

_____

Print Name _____

_____

Print Name _____

By: /s/ Marshall J. Morris

Print Name: Marshall J. Morris

Its: Treasurer

Exhibit 10.51

AMENDMENT TO PURCHASE AGREEMENT

THIS AMENDMENT TO PURCHASE AGREEMENT ("Amendment") is entered into this /27th/ day of /February/, 2004 between CINCINNATI GALLERIA, LLC, an Ohio limited liability company ("Purchaser") and THE KIRK & BLUM MANUFACTURING COMPANY, an Ohio corporation ("Seller") in order to modify that certain Purchase Agreement dated November 20, 2003 between Purchaser and Seller (the "Agreement").

NOW, THEREFORE, in consideration of the mutual agreements contained in the Agreement and this Amendment and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by both parties, Purchaser and Seller agree as follows:

1. The date by which Purchaser must pay the Deposit described in Section 2(a) of the Agreement is extended to March 31, 2004.
2. All capitalized terms contained in this Amendment that are not typically capitalized and not otherwise defined in this Amendment shall have the meanings assigned to such terms by the Agreement.
3. Except as specifically modified by the terms of this Amendment, all of the terms and provisions of the Agreement shall remain in full force and effect and unmodified.

Executed as of the day and year first above written.

Witnesses:

CINCINNATI GALLERIA, LLC,
an Ohio limited liability company

By: /s/ Kent M. Arnold

Print Name: _____

Kent M. Arnold
Its President

Print Name _____

THE KIRK & BLUM MANUFACTURING
COMPANY, an Ohio corporation

By: /s/ Marshall J. Morris

Print Name: _____

Print: Marshall J. Morris

Its: Treasurer

Print Name _____

Exhibit 14

CECO ENVIRONMENTAL CORP.

CODE OF ETHICS

Purpose and Scope

CECO Environmental Corp. (the "Company") is committed to conducting its business in compliance with applicable laws, rules and regulations and in accordance with the highest ethical standards of business conduct. All of the Company's employees are expected to conduct their activities and the operations for which they are responsible in accordance with such standards.

Additionally, this Code of Ethics is established in order to comply with Section 406 of the Sarbanes-Oxley Act of 2002, related rules promulgated by the Securities and Exchange Commission ("SEC") and the listing standards for Nasdaq listed companies.

This Code applies to all of our directors, officers, employees and agents, wherever they are located and whether they work for the Company on a full or part-time basis. In addition, certain provisions specifically apply to the Company's principal executive officer and to the Company's principal financial officer, principal accounting officer or controller, or persons performing similar functions (the "406 Officers"). We refer to all persons covered by this Code, including the 406 Officers, as "employees."

This Code contains general guidelines for conducting the business of the Company. This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face.

If you have questions about the laws governing your activities on behalf of the Company, please talk to your supervisor or David Blum, Senior Vice President of the Company (the "Compliance Officer").

Conflicts of Interest

A conflict of interest occurs when an employee's private interests interfere, or appear to interfere, with the interests of the Company as a whole. It is important for all employees to avoid not only conflicts of interest, but also the appearance of a conflict of interest.

If a potential conflict of interest in the affairs of any employee either exists currently or arises in the future, it is the individual's responsibility to report details of the situation at once in order that the facts may be properly evaluated and a decision made as to what, if any, action should be taken in connection with the matter. Should there be a question as to whether a conflict in fact exists, any doubt should be resolved in favor of assuming that there is a potential conflict and the circumstances must then be reported in writing to the Compliance Officer.

Examples of potential conflicts of interest include accepting concurrent employment with, or acting as a consultant or contractor to, any Company competitor, customer or supplier; serving on the board of directors or technical advisory board of another entity; or holding a significant financial interest in any competitor, customer or supplier of the Company.

Although not exhaustive, conflicts of interest commonly arise in the following situations:

1. When an employee or a relative has a significant direct or indirect financial interest in, or obligation to, an actual or potential competitor, supplier or customer of the Company;
2. When an employee has a significant personal relationship (such as a family relationship) with a competitor, supplier or customer of the Company;
3. When an employee conducts business on behalf of the Company with a supplier or customer when a relative is an employee, principal, officer or representative of such supplier or customer;
4. When an employee, relative or agent of an employee accepts gifts of more than nominal value or excessive entertainment from a current or potential competitor, supplier or customer (please see “Gifts and Gratuities” below for additional guidelines); and
5. When an employee misuses the information obtained in the course of his or her employment.

It is recognized, however, that directors of Company and any of its subsidiaries who are not employees may engage in outside activities with, or have duties to, other entities, as employees, directors, consultants or otherwise. Such activities and duties generally do not in and of themselves constitute a conflict of interest, and in fact are valuable to the Company because of the experience and perspective that outside directors offer to the Company as a result of these activities. Directors are expected to exercise sound judgment with respect to the relationship between their outside activities and their responsibilities to the Company, and at all times to act in a manner consistent with their duties of care and loyalty, as well as other applicable legal standards governing the responsibilities of directors. Directors should err on the side of caution in disclosing to the Board relationships that may constitute, or may appear to constitute, an actual or potential conflict of interest, and may be required to abstain from involvement as a Board member or as an employee, director, consultant or other affiliation with another entity, in a particular matter. Outside directors also should fully disclose their relationship with the Company to other entities with whom they have a relationship.

The Company’s business must be kept separate and apart from the personal activities of its employees. Employee participation in outside activities must not be presented in a manner as to appear that the Company is endorsing the activity. Company personnel and assets are to be used solely for the business purposes of the Company. An employee must not use the Company’s corporate name, any trademark owned or associated with the Company, any Company letterhead, or any Company property, confidential information, resources, supplies or assets for personal purposes.

Compliance with Corporate Policies and Applicable Laws and Regulations

Each employee is expected to comply with both the spirit and letter of all of the Company's corporate policies and all applicable governmental laws, rules and regulations.

Gifts and Gratuities

Appropriate business gifts and entertainment are courtesies designed to build relationships and understanding among business partners. However, common sense and good judgment should always be exercised in providing or accepting business meals, entertainment or nominal gifts. While individual circumstances differ, the overriding principle concerning gratuities is not to give or accept anything of value that could be perceived as creating an obligation on the part of the recipient to act other than in the best interests of his or her employer or otherwise taint the objectivity of the individual's involvement. It is the employee's responsibility to use good judgment in this area. All gifts and entertainment expenses must be properly accounted for on expense reports.

Use of Company Resources / Computer E-Mail

Company resources, including time, materials, equipment and information, are provided for Company business use. Employees are trusted to use good judgment to conserve Company resources. Personal use of Company resources is inappropriate. In no event may an employee use Company funds or assets for an unlawful purpose.

The Company's computer resources, which include the electronic mail system, are not intended to be used for amusement, solicitation or other non-business purposes. E-mail messages should be treated as any other written business communication. The Company may monitor employees' e-mail and other computer use.

Confidential Information

Employees may from time to time have access to confidential or proprietary information (which includes any non-public information, whether of a business, financial, personnel, technological or commercial nature) of the Company or third parties, such as customers and suppliers of the Company, that an employee has learned, generated or acquired. Each employee has a fiduciary and a legal obligation to the Company and such third parties to treat such information in confidence and not to disclose it to any other party or use it, directly or indirectly, for one's own purpose, whether during or after employment with the Company.

Insider Trading

The Company's employees are prohibited from engaging in "insider trading." Prohibitions are based on federal securities laws and deal with the possession and use of "material" information. Employees who have material non-public information about the Company or other companies as a

result of their Company connections are prohibited from trading in securities of those Companies, as well as from communicating such information to family or friends. “Material” information is information that might affect a reasonable investor’s decision to purchase or sell a security. “Non-public” information is information that is not available to the general public.

Supplementary Ethical Standards of Conduct For 406 Officers

The 406 Officers are expected to abide by the following tenets in addition to the rest of this Code. Each 406 Officer will:

- Act with honesty and integrity and in an ethical manner, avoiding actual or apparent conflicts of interest in their personal and professional relationships;
- Provide shareholders with information that is accurate, complete, objective, fair, relevant, timely and understandable, including in Company filings with and other submissions to the SEC;
- Comply with rules and regulations of federal, state, applicable and local governments, and other appropriate private and public regulatory agencies;
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing one’s independent judgment to be subordinated;
- Respect the confidentiality of information acquired in the Company’s business except when authorized or otherwise legally obligated to disclose such information;
- Not use confidential information acquired in the course of performance of one’s duties to the Company for personal advantage;
- Achieve responsible use of and control over all Company assets and resources that are employed or entrusted to us;
- Not unduly or fraudulently influence, coerce, manipulate or mislead any authorized audit or interfere with any auditor engaged in the performance of an internal or independent audit of the Company’s financial statements or accounting books and records;
- Promptly report to the Compliance Officer or a member of the Audit Committee any known or suspected violation of this Code or other Company policies or guidelines. Failure of the 406 Officers to comply with this Code will not be tolerated by the Company. Any deviations therefrom or violations hereof will result in serious consequences, which may include, but may not be limited to, serious reprimand, dismissal or other legal actions.

Administration of the Code of Ethics

This Code shall be administered as follows:

1. **Responsibility for Administration**

The Board or the Audit Committee, to the extent empowered by the Board (the "Administrator"), shall be responsible for interpreting and administering this Code. In discharging its responsibilities, the Administrator may engage such agents and advisors as it shall deem necessary or desirable, including but not limited to, attorneys and accountants.

The Compliance Officer is David Blum. David Blum is the Senior Vice President of the Company.

2. **Procedure for Reporting Violations of the Code**

If you suspect any activity or conduct to be in violation of this Code or any applicable corporate policies, governmental laws, rules or regulations, you should immediately report the circumstances to your supervisor or the Compliance Officer, or if you are a 406 Officer, immediately report the circumstances to the Compliance Officer or a member of the Audit Committee.

3. **Confidentiality and Policy Against Retaliation**

All questions and reports of known or suspected violations of the law or this Code will be treated with sensitivity and discretion. Reports of unethical or illegal conduct shall be promptly investigated by the Administrator. The Company strictly prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. Retaliation in any form against an individual who reports a suspected violation in good faith, even if the report is mistaken, or who assists in the investigation of a reported violation, is strictly prohibited. Any act or threatened act of retaliation should be reported immediately to the Compliance Officer.

4. **Waivers of the Code and Disclosures**

Waivers of this Code will be granted on a case-by-case basis and only in extraordinary circumstances. Waivers of this Code for employees (other than 406 Officers) may be made only by an executive officer of the Company with the concurrence of the Compliance Officer or the Administrator. Any waiver of this Code for our directors, executive officers or other principal officers, including the 406 Officers, may be made only by our Board of Directors and will be promptly disclosed to the public as required by applicable laws, rules or regulations.

5. **Compliance and Violations**

All Company employees are expected to comply fully with this Code. The Administrator shall enforce this Code through appropriate disciplinary actions. The Administrator shall determine whether violations of this Code have occurred and, if so, shall determine the disciplinary actions to be taken against any individual who has violated this Code.

It is the Company's policy that any employee who violates this Code will be subject to appropriate discipline, including potential termination of employment, determined based upon the facts and circumstances of each particular situation. The disciplinary actions available to the Administrator include counseling, oral or written reprimands, warnings, probations or suspensions (with or without pay), demotions, reductions in salary, terminations of employment and restitution.

Nothing in this Code prohibits or restricts the Company from taking disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in this Code. This Code is not intended to create any expressed or implied contract with any employee or third party. In particular, nothing in this Code creates any employment contract between the Company and any employee.

Exhibit 21

SUBSIDIARIES OF THE COMPANY

CECO Group, Inc.	(Delaware)
CECO Filters, Inc.	(Delaware, subsidiary of CECO Group, Inc.)
CECO Filters India Pvt. Ltd.	(India, subsidiary of CECO Filters, Inc.)
Kirk & Blum Manufacturing Company	(Ohio, subsidiary of CECO Group, Inc.)
kbd/Technic, Inc.	(Indiana, subsidiary of CECO Group, Inc.)
CECO Abatement Systems, Inc.	(Delaware, subsidiary of CECO Group, Inc.)
CECO Energy	(Delaware, subsidiary of CECO Abatement Systems, Inc.; currently not active)
Air Purator Corporation	(Delaware, subsidiary of CECO Filters, Inc.)
New Busch Co., Inc.	(Delaware, subsidiary of CECO Filters, Inc.)

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-85146 of CECO Environmental Corp. on Form S-3 of our report dated March 25, 2004, appearing in this Annual Report on Form 10-K of CECO Environmental for the year ended December 31, 2003.

/s/ Deloitte & Touche

Deloitte & Touche

Cincinnati, Ohio

March 25, 2004

Exhibit 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION
BY CHIEF EXECUTIVE OFFICER

I, Phillip DeZwirek, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2003, of CECO Environmental Corp.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Phillip DeZwirek

Phillip DeZwirek
Chairman of the Board and
Chief Executive Officer
March 29, 2004

Exhibit 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION
BY CHIEF FINANCIAL OFFICER

I, Marshall J. Morris, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2003, of CECO Environmental Corp.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/s/ Marshall J. Morris

Marshall J. Morris
Vice President - Finance and Administration and
Chief Financial Officer
March 29, 2004

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of CECO Environmental Corp. (the "Company") on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Phillip DeZwirek, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Phillip DeZwirek

Phillip DeZwirek
Chairman of the Board and
Chief Executive Officer
March 29, 2004

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of CECO Environmental Corp. (the "Company") on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marshall J. Morris, Vice President-Finance and Administration and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marshall J. Morris

Marshall J. Morris
Vice President-Finance and Administration and
Chief Financial Officer
March 29, 2004