
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 000-07099

CECO ENVIRONMENTAL CORP.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-2566064
(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)

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 of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232, 405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of latest practical date.

Class: Common, par value \$.01 per share outstanding at May 3, 2010 – 14,302,047

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CECO ENVIRONMENTAL CORP.

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

MARCH 31, 2010

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CECO ENVIRONMENTAL CORP.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CONDENSED CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except per share data

	<u>MARCH 31,</u> <u>2010</u> <u>(unaudited)</u>	<u>DECEMBER 31,</u> <u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 861	\$ 1,393
Accounts receivable, net	22,768	23,751
Costs and estimated earnings in excess of billings on uncompleted contracts	10,174	10,681
Inventories, net	5,109	4,877
Prepaid expenses and other current assets	2,553	2,969
Current assets of discontinued operations	924	1,877
Total current assets	<u>42,389</u>	<u>45,548</u>
Property and equipment, net	11,515	11,362
Goodwill, net	14,667	14,591
Intangibles – finite life, net	1,344	1,470
Intangibles – indefinite life	3,218	3,209
Deferred income tax asset, net	348	348
Deferred charges and other assets	907	930
Non-current assets of discontinued operations	—	57
	<u>\$ 74,388</u>	<u>\$ 77,515</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	\$ 833	\$ 836
Accounts payable and accrued expenses	16,283	18,622
Billings in excess of costs and estimated earnings on uncompleted contracts	7,645	10,373
Current liabilities of discontinued operations	383	648
Total current liabilities	<u>25,144</u>	<u>30,479</u>
Other liabilities	2,667	2,605
Debt, less current portion	3,589	1,871
Convertible subordinated notes (including related parties notes of \$3,800)	10,800	10,800
Total liabilities	<u>42,200</u>	<u>45,755</u>
Shareholders' equity:		
Common stock, \$0.01 par value; 100,000,000 shares authorized, 14,437,967 and 14,427,251 shares issued in 2010 and 2009, respectively	144	144
Capital in excess of par value	42,565	42,341
Accumulated deficit	(8,251)	(8,348)
Accumulated other comprehensive loss	(1,914)	(2,021)
	<u>32,544</u>	<u>32,116</u>
Less treasury stock, at cost 137,920 shares in 2010 and 2009	(356)	(356)
Total shareholders' equity	<u>32,188</u>	<u>31,760</u>
	<u>\$ 74,388</u>	<u>\$ 77,515</u>

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

CECO ENVIRONMENTAL CORP.CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

Dollars in thousands, except per share data

	THREE MONTHS ENDED	
	MARCH 31,	
	2010	2009
Net sales	\$ 35,021	\$ 38,056
Cost of sales	27,004	29,380
Gross profit	8,017	8,676
Selling and administrative	7,234	7,187
Amortization	135	313
Income from operations	648	1,176
Other (loss) income, net	(85)	90
Interest expense (including related party interest of \$56 and \$109, respectively)		(293)
Income from continuing operations before income taxes	270	904
Income tax expense	103	317
Net income from continuing operations	167	587
Net loss from discontinued operations (see Note 15), net of tax	(70)	(218)
Net income	\$ 97	\$ 369
Per share data:		
Basic net income from continuing operations	\$ 0.01	\$ 0.04
Basic net loss from discontinued operations	0.00	(0.01)
Basic net income	\$ 0.01	\$ 0.03
Diluted net income from continuing operations	\$ 0.01	\$ 0.04
Diluted net loss from discontinued operations	0.00	(0.01)
Diluted net income	\$ 0.01	\$ 0.03
Weighted average number of common shares outstanding:		
Basic	14,296,832	14,322,777
Diluted	14,358,267	15,189,775

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

CECO ENVIRONMENTAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Dollars in thousands

	THREE MONTHS ENDED MARCH 31,	
	2010	2009
Cash flows from operating activities:		
Net income	\$ 97	\$ 369
Net loss from discontinued operations	(70)	(218)
Net income from continuing operations	167	587
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	419	733
Non cash interest expense included in net income	34	26
Non cash gain on remeasurement of subordinated debt	—	(69)
Non cash gain from disposal of fixed assets	(8)	—
Share based compensation expense	224	234
Bad debt expense	100	—
Changes in operating assets and liabilities:		
Accounts receivable	883	11,109
Inventories	(450)	158
Costs and estimated earnings in excess of billings on uncompleted contracts	507	1,852
Prepaid expenses and other current assets	416	(46)
Deferred charges and other assets	309	20
Accounts payable and accrued expenses	(2,339)	(6,169)
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,728)	227
Accrued income taxes	—	(1,796)
Other liabilities	52	(91)
Net cash (used in) provided by continuing operating activities	(2,414)	6,775
Net cash provided by discontinued operating activities	675	1,780
Net cash (used in) provided by operating activities	(1,739)	8,555
Cash flows from investing activities:		
Acquisitions of property and equipment	(188)	(517)
Net cash used in investing activities	(188)	(517)
Cash flows from financing activities:		
Net borrowings (payments) on revolving credit lines	1,852	(4,873)
Subordinated debt repayment	—	(3,000)
Cash paid for deferred financing costs	(320)	—
Repayment of term debt	(137)	(250)
Net cash provided by (used in) financing activities	1,395	(8,123)
Net decrease in cash	(532)	(85)
Cash and cash equivalents at beginning of the period	1,393	1,147
Cash and cash equivalents at end of the period	\$ 861	\$ 1,062
Cash paid (refunded) during the period for:		
Interest	\$ 428	\$ 505
Income taxes	\$ (48)	\$ 1,943

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

CECO ENVIRONMENTAL CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of reporting for consolidated financial statements

The accompanying unaudited condensed consolidated financial statements of CECO Environmental Corp. and subsidiaries (the “Company”, “we”, “us”, or “our”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, the accompanying unaudited, condensed consolidated financial statements of the Company contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of March 31, 2010 and the results of operations and of cash flows for the three-month periods ended March 31, 2010 and 2009. The results of operations for the three-month period ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year. The balance sheet as of December 31, 2009 has been derived from the audited consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission.

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.

During 2009, the Company discontinued the operations of its subsidiary, H.M. White, Inc. (“H.M. White”). In accordance with the provisions of FASB ASC Subtopic 205-20, the results of H.M. White are presented as discontinued operations for all periods in the consolidated financial statements. See footnote 15 for additional details.

These financial statements and accompanying notes should be read in conjunction with the audited financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the Securities and Exchange Commission.

2. New Accounting Pronouncements

Recently Issued Accounting Pronouncements

Accounting Standards Codification (“ASC”) 605-25—In October 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2009-13 for updated revenue recognition guidance under the provisions of ASC 605-25, “Multiple-Element Arrangements”. The previous guidance has been retained for criteria to determine when delivered items in a multiple-deliverable arrangements should be considered separate units of accounting, however the updated guidance removes the previous separation criterion that objective and reliable evidence of fair value of any undelivered items must exist for the delivered items to be considered a separate unit or separate units of accounting. This guidance is effective for fiscal years beginning on or after June 15, 2010. The Company does not expect that the adoption of this guidance will have a material effect on the Company’s consolidated results of operations, financial position or cash flows.

ASC 820—In January 2010, the FASB issued ASU No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures About Fair Value Measurements.” This guidance amends Subtopic 820-10 to require new disclosures and clarify existing disclosures. This guidance requires new disclosures of amounts and reasons for significant transfers between Level 1 and Level 2 fair value measurements. Additionally, in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), separate presentation of information about purchases, sales, issuances and settlements is required. The guidance clarifies that fair value measurement disclosures for each class of assets and liabilities may constitute a subset of assets and liabilities within a line item on a reporting entity’s balance sheet. The guidance also clarifies disclosure requirements about inputs and valuation techniques for both recurring and nonrecurring fair value measurements (Level 2 or Level 3). The ASU also amends guidance on employers’ disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward of activity for Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, including interim periods within those fiscal years. The Company has not had and does not expect that the adoption of this remaining guidance will have a material effect on the Company’s consolidated results of operations, financial position or cash flows.

CECO ENVIRONMENTAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

ASC 815—In March 2010, the FASB issued ASU 2010-11, “Scope Exception Related to Embedded Credit Derivatives” to address questions that have been raised in practice about the intended breadth of the embedded credit derivative scope exception in paragraphs 815-15-15-8 through 815-15-15-9 of ASC 815, “Derivatives and Hedging”. The amended guidance clarifies that the scope exception applies to contracts that contain an embedded credit derivative that is only in the form of subordination of one financial instrument to another. This guidance is effective on July 1, 2010 for the Company. The adoption of this guidance is not expected to have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

3. Inventories

\$ in thousands

	March 31, 2010	December 31, 2009
Raw materials and subassemblies	\$ 3,619	\$ 3,322
Finished goods	988	1,044
Parts for resale	695	566
Reserve for obsolescence	(193)	(55)
	<u>\$ 5,109</u>	<u>\$ 4,877</u>

Amounts credited to the allowance for obsolete inventory and charged to cost of sales amounted to \$138 and \$37 for the three month period ended March 31, 2010 and 2009, respectively.

4. Costs and Estimated Earnings on Uncompleted Contracts

\$ in thousands

	March 31, 2010	December 31, 2009
Costs incurred on uncompleted contracts	\$ 78,669	\$ 74,908
Estimated earnings	16,219	16,897
	94,888	91,805
Less billings to date	(92,359)	(91,497)
	<u>\$ 2,529</u>	<u>\$ 308</u>
Included in the accompanying condensed consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 10,174	\$ 10,681
Billings in excess of costs and estimated earnings on uncompleted contracts	(7,645)	(10,373)
	<u>\$ 2,529</u>	<u>\$ 308</u>

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. Our contracts have various lengths to completion ranging from a few days to several months. We anticipate that a majority of our current contracts will be completed by year end.

CECO ENVIRONMENTAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

5. **Goodwill and Intangible Assets**

\$ in thousands

<u>Goodwill / Tradename</u>	<u>Three months ended</u> <u>March 31, 2010</u>		<u>Year ended</u> <u>December 31, 2009</u>	
	<u>Goodwill</u>	<u>Tradename</u>	<u>Goodwill</u>	<u>Tradename</u>
Beginning balance	\$14,591	\$ 3,209	\$ 31,116	\$ 3,165
Impairment	—	—	(17,110)	—
Foreign currency adjustments	76	9	585	44
	<u>\$14,667</u>	<u>\$ 3,218</u>	<u>\$ 14,591</u>	<u>\$ 3,209</u>

<u>Intangible assets – finite life</u>	<u>As of March 31, 2010</u>		<u>As of December 31, 2009</u>	
	<u>Cost</u>	<u>Accum. Amort.</u>	<u>Cost</u>	<u>Accum. Amort.</u>
Patents	\$ 1,414	\$ 1,046	\$ 1,412	\$ 1,024
Backlog	600	600	592	592
Customer lists	1,654	771	1,644	685
Employment contracts	422	337	420	305
Other	134	126	130	122
	<u>\$ 4,224</u>	<u>\$ 2,880</u>	<u>\$ 4,198</u>	<u>\$ 2,728</u>

We complete an annual (or more often if circumstances require) impairment test for our indefinite life intangible assets. In performing these assessments, the carrying value of the asset is considered impaired if the fair value 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 asset exceeds its fair value.

Also as required by current accounting rules, we complete an annual (or more often if circumstances require) impairment test for our goodwill. In performing these assessments, the carrying value of the reporting unit is compared to its estimated fair value, as calculated by the discounted present value of cash flow method. If the estimated fair value of the reporting unit is less than its carrying value, an impairment charge is recorded for the amount by which the carrying value of the goodwill exceeds its calculated implied fair value. The Company's fourth quarter 2009 annual evaluation for goodwill impairment indicated an impairment of the goodwill for four of the Company's reporting units. As a result, the Company estimated the implied fair value of the goodwill of these reporting units compared to carrying amounts and recorded total impairment charges of \$17.1 million at December 31, 2009 to impair a portion of the goodwill recorded on these reporting units. The decrease in the fair value of the reporting units was due to deteriorating market conditions resulting from the global economic downturn. No impairment of goodwill was identified related to the Company's other reporting units. No additional impairment was recorded in the first quarter of 2010.

Major factors that influence our cash flow analyses are our estimates for future revenue and expenses associated with the reporting units. This is the most sensitive of our estimates related to our fair value calculations. Other factors considered in our fair value calculations include assumptions as to the business climate, industry and economic conditions. These assumptions are subjective and different estimates could have a significant impact on the results of our analyses.

Finite life intangible assets are comprised of patents, backlog, customer lists and employment contracts. For all amortizable intangible assets, if any events or changes in circumstances occur that indicate possible impairment, our impairment review is based on an undiscounted cash flow analysis. Impairment occurs when the carrying value of the assets exceeds the future undiscounted cash flows. When impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset and an impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows. The Company also evaluates the remaining useful life each reporting period to determine whether events and circumstances warrant a revision to the remaining period of amortization. If the estimate of an intangible asset's remaining useful life is changed, the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life.

CECO ENVIRONMENTAL CORP.
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(unaudited)

Amortization of finite life intangibles is on a straight line basis and amortization expense for the three months ended March 31, 2010 and 2009 was \$135,000 and \$313,000, respectively. Over the next five years amortization expense is \$494,000 for all of 2010, \$424,000 in 2011, \$316,000 in 2012, \$130,000 in 2013 and \$69,000 in 2014.

6. Business Segment Information

Our structure and operational integration results in one reportable segment that focuses on engineering, designing, building and installing systems that remove airborne contaminants from industrial facilities, as well as equipment that controls emissions from such facilities. Accordingly, the consolidated financial statements herein reflect the operating results of the reportable segment.

7. Earnings Per Share

For the three months ended March 31, 2010 and 2009, basic weighted average common shares outstanding were 14,296,832 and 14,322,777, respectively, and diluted average common shares outstanding were 14,358,267 and 15,189,775, respectively.

Effective January 1, 2009, the Company adopted ASC 260-10-65-2, "Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities." Non-vested shares with non-forfeitable dividend rights are considered participating securities and, thus, subject to the two-class method pursuant to ASC Topic 260, "Earnings per Share", when computing basic and diluted EPS. Losses are only allocable to participating securities if the holder has a contractual obligation to share in the losses of the Company.

Holders of our restricted stock awards participate in nonforfeitable dividend rights on a one-for-one basis with holders of common stock. Holders of these awards are not obligated to share in losses of the Company. Therefore, these share awards are included in the computation of basic earnings (loss) per share during periods of net income using the two-class method, but are excluded from such computation in periods of net loss. Should the Company declare a dividend on its common stock, the related dividend on shares of unvested restricted stock that are not expected to vest would be recorded as additional compensation expense and therefore excluded from the two-class method computations; however, no such dividends have been declared to date.

Undistributed earnings included in the two-class method computations are allocated equally to each share of common stock outstanding, including all shares of unvested restricted common shares. For the three month period ended March 31, 2010, the weighted average number of non-vested restricted share awards which were included in the basic weighted average common shares outstanding totaled 47,308. For the three month period ended March 31, 2009, 127,128 restricted share awards were included in the computation of basic weighted average common shares outstanding.

We consider outstanding options and warrants in computing diluted net income per share only when they are dilutive. For the three month periods ended March 31, 2010 and 2009, 1,150,000 and 1,098,000 outstanding options and warrants were excluded from the computation of diluted weighted average common shares outstanding as their effect would have been anti-dilutive. Additionally, pursuant to the if-converted method, net income used for purposes of computing diluted earnings per share is adjusted for the net impact of interest and other items related to the Convertible Subdebt Note and Investor Notes (see Note 8) unless the effect is anti-dilutive. The net impact of interest and other items related to the Convertible Subdebt Note and Investor Notes for the three month periods ended March 31, 2010 and 2009 was approximately \$97,000 and \$27,000, respectively. Because of an anti-dilutive effect, net income was not adjusted for this net impact for the three month period ended March 31, 2010 and 2,700,000 shares were excluded from the computation of diluted weighted average common shares outstanding.

8. Debt

Total bank debt at March 31, 2010 was \$4.4 million and \$2.7 million at December 31, 2009. The bank debt at March 31, 2010 consists of \$2.3 million due on the revolving lines of credit and a term note totaling \$2.1 million. Our current credit facility with Fifth Third Bank (the "Bank Facility"), as amended, includes a revolving line of credit of up to \$20 million, including letters of credit, limited to a borrowing base amount computed as 70% of eligible accounts receivable, 50% of unbilled revenues up to \$1.0 million, plus 50% of eligible inventories. Unused credit availability under our \$20.0 million revolving line of credit at March 31, 2010 was \$7.1 million. Interest on the outstanding borrowings is charged at the daily LIBOR rate plus 3.5% or the tranche LIBOR rate plus 3.0% for the revolver and the daily LIBOR rate plus 3.75% or the tranche LIBOR rate plus 3.25% for the term note. The weighted average interest rate under the Bank Facility as of March 31, 2010 and March 31, 2009 was 3.95% and 2.74%, respectively.

We entered into our current Bank Facility on December 29, 2005 with Fifth Third Bank. The Bank Facility was amended on various dates and fees paid for these amendments were deferred and are being amortized over the remaining term of the Bank Facility.

On May 1, 2009, the Company entered into a Sixth Amendment to the Bank Facility effective as of March 31, 2009. The Sixth Amendment amends the Bank Facility to extend the termination date of the line of credit from January 31, 2010 to April 1, 2011, make certain changes to the interest rates applicable to the obligations under the Bank Facility, including the implementation of a daily reset, one-month LIBOR-based rate and the unavailability of a prime-based rate except in certain circumstances, which results in an increase of the borrowing rates by one percent, consent to a one-time payment of principal on the Subordinated Convertible Promissory Note of Icarus Investment Corp. ("Icarus") in an amount not to exceed \$3.0 million, and consent to an extension fee of CAD \$38,000 payable to Icarus.

CECO ENVIRONMENTAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

On August 17, 2009, the Company entered into a Seventh Amendment to Credit Agreement to the Bank Facility, effective as of May 15, 2009. The Seventh Amendment incorporates the Note (as described below) as permitted subordinated debt, and permits prepayments under the Note so long as the Company is not in default under the Bank Facility.

On November 26, 2009, the Company entered into an Eighth Amendment to Credit Agreement to the Bank Facility effective as of November 26, 2009. The Eighth Amendment permitted the Company to issue subordinated loans, in an aggregate amount not to exceed \$11.4 million, to subordinated creditors and permitted the payment in full by the Company of the subordinated debt of Icarus outstanding on the effective date, in an aggregate amount equal to \$4.5 million.

On February 12, 2010, the Company entered into a Ninth Amendment to Credit Agreement to the Bank Facility effective as of December 31, 2009. The Ninth Amendment decreased the maximum loan commitment from \$30.0 million to \$20.0 million, decreased the monthly required term loan payment from \$83,333 to \$26,886, increased the minimum fixed charge coverage ratio financial covenant from 1.25 : 1.0 to 2.5 : 1.0, and permitted the addition of \$6.3 million of net funding received from the private placement of subordinated debt to the adjusted EBITDA calculation used in the financial covenants.

Terms of the Bank Facility, as amended, include financial covenants which require compliance at December 31, 2009 and each quarter through March 31, 2011. The maximum capital expenditures financial covenant is \$2,500,000 per year. The minimum Fixed Charge Coverage Ratio is 2.5 : 1.0 for each quarter through the quarter ended June 30, 2010 and 1.25 : 1.0 thereafter. The maximum funded debt to EBITDA covenant is 3.0 to 1. Our Bank Facility also contains cross-default provisions with respect to our subordinated debt. Also, if we fail to pay (after grace periods) any other debt or lease that, individually or in the aggregate involves indebtedness in excess of \$100,000, and such default gives any creditor or lessor the right to accelerate the maturity of any such indebtedness or lease payments, then absent a waiver from the lender, it would result in a default under our Bank Facility and the acceleration of the maturity of outstanding debt under our Bank Facility. As of March 31, 2010, we were well in compliance with all related financial and other restrictive covenants, and expect continued compliance.

On August 14, 2008, the Company issued a Subordinated Convertible Promissory Note (the "Convertible Subdebt Note") in the amount of Canadian \$5.0 million to Icarus, which is controlled by Phillip DeZwirek, our Chairman and former CEO, and Jason DeZwirek, our Secretary and one of our Directors. The Convertible Subdebt Note provided for interest to accrue at the rate of 10% per annum in 2008, 11% per annum in 2009, and 12% per annum commencing January 1, 2010 until paid. The outstanding principal and accrued interest under The Convertible Subdebt Note was convertible at any time into common stock of the Company at a per share price of \$4.75 which was the closing price immediately preceding the issuance of the Subdebt. The Convertible Subdebt Note was amended in February 2009 to provide for interest payments to be payable monthly, instead of semi-annually, subject to the Subordination Agreement between Fifth Third Bank and Icarus. The Convertible Subdebt Note was further amended on May 1, 2009 to extend its maturity date to October 1, 2011 from July 31, 2010. Fees of Canadian \$38,000 were paid for this amendment and were being deferred and amortized over the remaining term of the Convertible Subdebt Note. We repaid Canadian \$3.7 million under the Convertible Subdebt Note on March 31, 2009 and fully repaid the outstanding balance of \$1.2 million on November 26, 2009.

On May 15, 2009, the Company issued a Promissory Note ("Note") to Icarus in the amount of \$3.0 million. The Note, which was subordinated to the Company's Bank Facility, bore interest at 12% per annum with interest payable monthly. The maturity date of the note was the earlier of May 15, 2012 or six months after repayment of the Bank Facility. At the option of Icarus, the note was repayable in Canadian funds with a stated conversion rate of 1.1789, or CAD \$3.5 million, representing the conversion rate at the issuance date of the Note. In accordance with ASC 815 "Derivatives and Hedging", this option was bifurcated and recorded at fair value. Gains and losses resulting from the revaluation of this liability were included in other income (expense) in the consolidated statements of operations. The Note and accrued interest was fully repaid on November 26, 2009 in the amount of \$3.3 million.

On November 26, 2009, the Company issued \$10.8 million principal amount subordinated convertible promissory notes to a group of investors (the "Investor Notes") which includes related parties: Icarus (\$2,200,000), Jason DeZwirek (\$800,000), and Harvey Sandler Revocable Trust (\$800,000), which trust owns over 10% of our outstanding common stock.

Interest accrues under the Investor Notes at the annual rate of 6% and is payable as of the end of each calendar quarter. The Company used the proceeds of the Investor Notes to repay all of its previously existing subordinated debt in the amount of approximately \$4.5 million, which debt was accruing interest at rates between 11-12%. The balance of the proceeds will be used for general working capital. Fees of \$320,000 were paid for the issuance of this debt and are being amortized over the term of the Investor Notes.

CECO ENVIRONMENTAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Investor Notes are due on November 26, 2014 and are not repayable prior to maturity except upon a change of control, or upon the consent of the holder. The outstanding principal amount of the Investor Notes or any portion thereof, but not the interest, is convertible at the holder's option, at any time after the issuance of the Investor Notes at a conversion price of \$4.00 per share, such price being greater than the Company's share price at the date of issuance of the Investor Notes. Following three years from the date of the Investor Notes, if the closing price of the common stock of the Company is greater than \$8.00 for five consecutive days, the Company can cause conversion of the Investor Notes.

9. 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 postretirement 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.

Retirement and health care plan expense is based on valuations performed by plan actuaries as of the beginning of each fiscal year. The components of the expense consisted of the following:

\$ in thousands	Three Months Ended March 31,	
	2010	2009
Retirement plan:		
Service cost	\$ 54	\$ 44
Interest cost	94	95
Expected return on plan assets	(94)	(80)
Amortization of prior service cost	2	2
Amortization of net actuarial loss	54	61
Net periodic benefit cost	\$ 110	\$ 122
Health care plan:		
Interest cost	\$ 4	\$ 4
Amortization of gain	(1)	(1)
Net periodic benefit cost	\$ 3	\$ 3

We made contributions to our defined benefit plans in the first quarter of 2010 totaling \$53,000. We anticipate contributing \$214,000 to fund the pension plan and \$39,000 for the retiree health care plan during the remainder of fiscal of 2010.

The funded status for our postretirement health care plan is calculated based on the projected postretirement benefit obligation.

10. Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, "Compensation – Stock Compensation" which requires the Company to recognize compensation expense for stock-based awards, measured at the fair value of the awards at the grant date. The Company recognized expense of approximately \$224,000 and \$234,000 during the quarters ended March 31, 2010 and 2009, respectively.

11. Income Taxes

The Company files income tax returns in various federal, state and local jurisdictions. The Company is no longer subject to federal, state and local income tax examinations by tax authorities for years before 2006.

The Company accounts for uncertain tax positions pursuant to ASC Topic 740, "Income Taxes." As of March 31, 2010 and December 31, 2009, the liability for unrecognized tax expense totaled approximately \$387,000. Included in this balance is a \$148,000 tax position for which the ultimate outcome is highly certain. The Company recognizes interest accrued related to unrecognized tax expenses in interest expense and penalties in income tax expense.

12. Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income (loss), changes in the pension liability that do not directly impact net earnings and translation gains and losses for foreign operations. Comprehensive income of \$204,000 included net income of \$97,000 and a translation gain of \$107,000 for the three month period ended March 31, 2010, and comprehensive income of \$222,000 for the three month period ended March 31, 2009 included net income of \$369,000 and a translation loss of \$(147,000).

CECO ENVIRONMENTAL CORP.
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13. Product Warranties

The Company's warranty reserve is to cover the products sold and is principally at our Efoxx subsidiary. The warranty accrual is based on historical claims information. The warranty reserve is reviewed and adjusted as necessary on a quarterly basis. Warranty accrual is not significant at the Company's other operations due to the nature of the work which includes installation and testing. The change in accrued warranty expense is summarized in the following table:

\$ in thousands	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Beginning Balance	\$ 498	\$ 574
Provision	100	38
Payments	(67)	(59)
Ending Balance	<u>\$ 531</u>	<u>\$ 553</u>

14. Financial Instruments

Our financial instruments consist primarily of investments in cash and cash equivalents, receivables and certain other assets and accounts payable. The carrying values of these financial instruments approximate fair value at March 31, 2010 and December 31, 2009, due to their short-term nature.

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.

15. Discontinued Operations

During 2009, the Company discontinued the operations of H.M. White. The Company terminated its facility lease in Detroit, Michigan and all property and equipment held by H.M. White was sold at net book value to its former owner. Accordingly, there was no gain or loss associated with the sale of H.M. White's assets.

The results of H.M. White are presented as discontinued operations for all periods in the consolidated financial statements. The Company did not allocate general corporate interest expense to H.M. White.

Operating results of discontinued operations are as follows:

\$ in thousands	Three months ended March 31,	
	2010	2009
Net sales	<u>\$ 128</u>	<u>\$ 1,695</u>
Loss from discontinued operations, before income taxes	\$ (113)	\$ (336)
Income tax benefit	(43)	(118)
Loss from discontinued operations	<u>\$ (70)</u>	<u>\$ (218)</u>

Assets and liabilities related to discontinued operations consisted of the following:

\$ in thousands	March 31, 2010	December 31, 2009
Assets		
Accounts receivable	\$ 591	\$ 1,356
Inventories	—	37
Costs and estimated earnings in excess of billings on uncompleted contracts	168	299
Prepaid expenses and other	165	185
Total current assets of discontinued operation	924	1,877
Property and equipment, net	—	57
Total assets of discontinued operation	<u>\$ 924</u>	<u>\$ 1,934</u>
Liabilities		
Accounts payable and accrued expenses	\$ 182	\$ 533
Billings in excess of costs and estimated earnings on uncompleted contracts	201	115
Total current liabilities of discontinued operation	<u>\$ 383</u>	<u>\$ 648</u>

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16. Legal proceedings

A lawsuit was filed on September 10, 2009 in Marion County Superior Court, State of Indiana. A wrongful death claim has been made by the estate of Terry David Walk for an accident that occurred in March 2008 at the worksite of a customer of the Company relating to a baghouse system. The defendants include CECO and its subsidiaries, The Kirk & Blum Manufacturing Company, kbd/Technic, Inc., and CECO Abatement Systems, Inc. The complaint contains causes of action for negligence and a cause of action for breach of implied warranties, and the complainant is asking for unspecified compensatory damages and costs. The Company's insurance carriers have agreed to defend the claims, pursuant to reservation of rights letters, and have retained counsel to defend the Company. We record provisions in the consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. However, at this time the Company cannot estimate any potential final range of loss resulting from this litigation as it is still in discovery and accordingly, we have not provided any amounts in the consolidated financial statements for unfavorable outcomes, if any. At this time, we believe that the claims are without merit and we intend to vigorously defend this suit.

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

CECO ENVIRONMENTAL CORP.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Company's consolidated statements of operations for the three-month periods ended March 31, 2010 and 2009 reflect the operations of the Company consolidated with the operations of its subsidiaries.

We are one of the leading providers of air-pollution control products and services. Our revenues are generated by our services of engineering and designing as well as building equipment, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities and equipment that controls emissions from such facilities. We have a diversified base of more than 3,000 active customers among a myriad of industries including aerospace, brick, cement, ceramics, metalworking, ethanol, printing, paper, food, foundry, power, refining, mining, metal plating, woodworking, chemicals, tobacco, glass, automotive, and pharmaceuticals. Therefore, our business is not concentrated in a single industry or customer.

On February 15, 2010, we appointed Jeffrey Lang as our new Chief Executive Officer. Mr. Lang has more than thirty years of executive operating management experience including Executive Vice President, Chief Operating Officer at McJunkin Red Man Corp. and twenty five years at Ingersol Rand including leading their Industrial Air Solutions sales, service and operations for North America.

Management has been closely monitoring the current economic conditions especially as some of our customers have announced that they are facing financial distress which may adversely affect our revenues and accounts receivable. In a weak economy customers tend to lengthen the time between inquiry and order or may defer purchasing our products and services until the economy recovers.

In light of this reduction in demand and the new management expertise of Jeff Lang, we have focused on reducing costs throughout the company, including plant rationalizations and reductions in overhead and general and administrative expenses.

Operations Overview

Our contracts are obtained either through competitive bidding or as a result of negotiations with our customers. Contract terms offered by us are generally dependent on the complexity and risk of the project as well as the resources that will be required to complete the project. For example, a contract that can be performed primarily by subcontractors and that does not require us to use our fabrication and assembly facilities can be quoted at a lower gross margin than a more typical contract that will require additional factory overhead and administrative expenses. Our focus is on increasing our operating margins as well as our gross margin percentage which translates into higher net income.

How We Manage our Business

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.

Although we discuss four principal product lines, our operating units function as internal customers and suppliers of each others' products and services and as such, products and services are intermingled in one major project. As a result, it is not reasonably possible to segregate revenues to external customers, operating profits or identifiable assets by product line.

During 2009, the Company discontinued the operations of its subsidiary, H.M. White, Inc. The Company terminated its facility lease in Detroit, Michigan and all property and equipment held by H.M. White was sold at net book value to its former owner.

The results of H.M. White are presented as discontinued operations for the periods presented.

Results of operations

(\$'s in millions)	For the three months ended March 31,	
	2010	2009
Net sales from continuing operations	\$ 35.0	\$ 38.1
Cost of sales from continuing operations	27.0	29.4
Gross profit from continuing operations	\$ 8.0	\$ 8.7
Percent of sales	22.9%	22.8%
Selling and administrative expenses from continuing operations	\$ 7.2	\$ 7.2
Percent of sales	20.6%	18.9%
Operating income from continuing operations	\$ 0.6	\$ 1.2
Percent of sales	1.7%	3.1%

CECO ENVIRONMENTAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Consolidated net sales from continuing operations for the first quarter were \$35.0 million, a decrease of 8.1% or \$3.1 million compared to the same quarter in 2009. The decline in first quarter net sales from continuing operations was attributable to a 40% decline in our contracting group sales offset by a 24% increase in our parts group sales and a modest increase in equipment group sales. Parts group sales increased due to smaller contractors cutting back on shop expenses and outsourcing the component parts and ducting products that they previously made in-house. Contracting group sales continue to be negatively impacted by the slow economy.

Orders booked from continuing operations in the first quarter of 2010 were \$27.1 million as compared to \$35.0 million during the first quarter of 2009, a decrease of \$7.9 million or 22.6%. Bookings have also been impacted by the slowing economy.

First quarter 2010 gross profit from continuing operations was \$8.0 million compared to gross profit from continuing operations of \$8.7 million during the same period in 2009. This \$0.7 million decrease in gross profit was the result of lower overall revenues. Gross profit from continuing operations, as a percentage of sales, increased to 22.9% in the first quarter 2010 from 22.8% in the comparable prior year quarter. Equipment group revenues before intercompany eliminations, which generate higher margins, comprised 64% of our current quarterly revenues compared to 55% for the same period last year. This shift in product mix is due to the greater impact of the weak economy on the contracting/services group. Additionally, the first quarter of 2010 was negatively affected by lower margins in our contracting group due to the impact of significant costs incurred on a large project which may continue in subsequent quarters.

Selling and administrative expenses from continuing operations remained constant at \$7.2 million during the first quarter of 2010 compared to the same period of 2009. Selling and administrative expenses in 2010 included expense items of accrued severance pay of \$127,000, executive recruiting fees of \$150,000 and \$100,000 for bad debt expense. These expenses were primarily offset by reductions in wages and fringes from continuing operations of \$119,000 from recent staff reductions and reduced travel expenses of \$64,000. We continue to streamline staffing levels and various selling and administrative costs throughout the Company in response to the slow economy and will continue to monitor these costs as we move forward.

Amortization expense, which is primarily related to acquisition intangibles, decreased to \$135,000 for the three months ended March 31, 2010 compared to \$313,000 for the three months ended March 31, 2009. This decrease was due primarily to intangibles related to 2007 and 2008 acquisitions becoming fully amortized.

Operating income from continuing operations decreased by \$0.6 million to \$0.6 million in the first quarter of 2010 compared to \$1.2 million during the same quarter of 2009. This decrease was due to the factors previously mentioned.

Interest expense for the three months ended March 31, 2010 decreased by \$69,000 to \$293,000 from \$362,000 during the first quarter of 2009. This decrease was due to lower rates on convertible debt and lower outstanding balances on our credit line.

Federal and state income tax expense totaled \$103,000 during the first quarter of 2010 compared to \$317,000 during the first quarter of 2009. The estimated federal and state income tax rate in the first quarter of 2010 was 38% compared to 35% in 2009. Our effective income tax rate is affected by certain permanent differences including foreign income, expenses for stock based compensation and domestic manufacturing deductions.

Net income from continuing operations for the quarter ended March 31, 2010 was \$167,000 compared to a net income from continuing operations of \$587,000 for the same period in 2009 and net income for the quarter ended March 31, 2010 was \$97,000 compared to net income of \$369,000 for the same period in 2009.

Backlog

Our backlog consists of the amount of revenue we expect from complete performance of uncompleted, signed, firm fixed price contracts that have not been completed for products and services we expect to substantially deliver within the next 12 months. Our backlog from continuing operations, as of March 31, 2010, was \$58.6 million compared to \$66.5 million as of December 31, 2009. There can be no assurances that backlog will be replicated, increased or translated into higher revenues in the future. The success of our business depends on a multitude of factors related to our backlog and the orders secured during the subsequent period(s). 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 contract's profitability.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 2 to the unaudited consolidated financial statements within Item 1 of this report.

CECO ENVIRONMENTAL CORP.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**Financial Condition, Liquidity and Capital Resources**

Our principal sources of liquidity are cash flow from operations, available borrowings under our revolving credit facility and convertible subordinated debt. At March 31, 2010 and December 31, 2009, cash and cash equivalents totaled \$0.9 million and \$1.4 million, 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 or other indebtedness.

Total bank debt was \$4.4 million at March 31, 2010 and \$2.7 million at December 31, 2009. The bank debt at March 31, 2010 consists of \$2.3 million due on the revolving lines of credit and a term note totaling \$2.1 million. Availability is limited as determined by a borrowing base formula contained in the credit agreement. The Bank Facility, as amended, includes a revolving line of credit of up to \$20 million, including letters of credit, limited to a borrowing base amount computed as 70% of eligible accounts receivable, 50% of unbilled revenues up to \$1.0 million plus 50% of eligible inventories. Unused credit availability under our \$20.0 million revolving line of credit at March 31, 2010 was \$7.1 million. Interest on the outstanding borrowings is charged at the daily LIBOR rate plus 3.5% or the tranche LIBOR rate plus 3.0% for the revolver and the daily LIBOR rate plus 3.75% or the tranche LIBOR rate plus 3.25% for the term note. The weighted average interest rate under the Bank Facility as of March 31, 2010 and March 31, 2009 was 3.95% and 2.74%, respectively.

\$ in millions	3/31/10	12/31/09
Eligible accounts receivable at 70%	\$ 9.8	\$ 13.0
Net unbilled revenues at 50% up to \$1.0 million	0.4	0.0
Eligible inventory at 50% up to \$7.5 million	2.3	2.2
Borrowing base reserves required by lender	<u>.5</u>	<u>0.5</u>
Borrowing base	\$ 13.0	\$ 15.7
Revolving loan principal amount	(1.8)	(0.0)
Letters of credit	<u>(4.1)</u>	<u>(4.9)</u>
Loan availability	<u>\$ 7.1</u>	<u>\$ 10.8</u>

We entered into our Bank Facility on December 29, 2005 with Fifth Third Bank. The Bank Facility was amended on various dates and fees paid for these amendments were deferred and are being amortized over the remaining term of the Bank Facility.

On May 1, 2009, the Company entered into a Sixth Amendment to the Bank Facility effective as of March 31, 2009. The Sixth Amendment amends the Bank Facility to extend the termination date of the line of credit from January 31, 2010 to April 1, 2011, make certain changes to the interest rates applicable to the obligations under the Bank Facility, including the implementation of a daily reset, one-month LIBOR-based rate and the unavailability of a prime-based rate except in certain circumstances, which results in an increase of the borrowing rates by one percent, consent to a one-time payment of principal on the Subordinated Convertible Promissory Note of Icarus in an amount not to exceed \$3.0 million, and consent to an extension fee of CAD \$38,000 payable to Icarus.

On August 17, 2009, the Company entered into a Seventh Amendment to Credit Agreement to the Bank Facility, effective as of May 15, 2009. The Seventh Amendment incorporates the Note (as described below) as permitted subordinated debt, and permits prepayments under the Note so long as the Company is not in default under the Bank Facility.

On November 26, 2009, the Company entered into an Eighth Amendment to Credit Agreement to the Bank Facility effective as of November 26, 2009. The Eighth Amendment permitted the Company to issue subordinated loans, in an aggregate amount not to exceed \$11.4 million, to subordinated creditors and permitted the payment in full by the Company of the subordinated debt outstanding on the effective date to Icarus, in an aggregate amount equal to \$4.5 million.

On February 12, 2010, the Company entered into a Ninth Amendment to Credit Agreement to the Bank Facility effective as of December 31, 2009. The Ninth Amendment decreased the maximum loan commitment from \$30.0 million to \$20.0 million, decreased the monthly required term loan payment from \$83,333 to \$26,886 increased the minimum fixed charge coverage ratio financial covenant from 1.25 : 1.0 to 2.5 : 1.0, and permitted the addition of \$6.3 million of net funding received from the private placement of subordinated debt to the adjusted EBITDA calculation used in the financial covenants.

CECO ENVIRONMENTAL CORP.MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Terms of the Bank Facility, as amended, include financial covenants which require compliance at December 31, 2009 and each quarter through March 31, 2011. The maximum capital expenditures financial covenant is \$2,500,000 per year. The minimum Fixed Charge Coverage Ratio is 2.5 : 1.0 for each quarter through the quarter ended June 30, 2010 and 1.25 : 1.0 thereafter. The maximum funded debt to EBITDA covenant is 3.0 to 1. Our Bank Facility also contains cross-default provisions with respect to our subordinated debt. Also, if we fail to pay (after grace periods) any other debt or lease that, individually or in the aggregate involves indebtedness in excess of \$100,000, and such default gives any creditor or lessor the right to accelerate the maturity of any such indebtedness or lease payments, then absent a waiver from the lender, it would result in a default under our Bank Facility and the acceleration of the maturity of outstanding debt under our Bank Facility. As of March 31, 2010, we were well in compliance with all related financial and other restrictive covenants, and expect continued compliance. In the future, if we cannot comply with the terms of the Bank Facility covenants it will be necessary for us to obtain a waiver or renegotiate our loan covenants, and there can be no assurance that such negotiations would be successful. In the event that we are not successful in obtaining a waiver or an amendment, we would be declared in default, which could cause all amounts owed to be immediately due and payable.

On August 14, 2008, the Company issued a Subordinated Convertible Promissory Note (the "Convertible Subdebt Note") in the amount of Canadian \$5.0 million to Icarus, which is controlled by Phillip DeZwirek, our Chairman and former CEO, and Jason DeZwirek, our Secretary and one of our Directors. The Convertible Subdebt Note provided for interest to accrue at the rate of 10% per annum in 2008, 11% per annum in 2009, and 12% per annum commencing January 1, 2010 until paid. The outstanding principal and accrued interest under The Convertible Subdebt Note was convertible at any time into common stock of the Company at a per share price of \$4.75, which was the closing price immediately preceding the issuance of the Subdebt. The Convertible Subdebt Note was amended in February 2009 to provide for interest payments to be payable monthly, instead of semi-annually, subject to the Subordination Agreement between Fifth Third Bank and Icarus. The Convertible Subdebt Note was further amended on May 1, 2009 to extend its maturity date to October 1, 2011 from July 31, 2010. Fees of Canadian \$38,000 were paid for this amendment and were being deferred and amortized over the remaining term of the Convertible Subdebt Note. We repaid Canadian \$3.7 million under the Convertible Subdebt Note on March 31, 2009 and fully repaid the outstanding balance of \$1.2 million on November 26, 2009.

On May 15, 2009, the Company issued a Promissory Note ("Note") to Icarus in the amount of \$3.0 million. The Note, which was subordinated to the Company's Bank Facility, bore interest at 12% per annum with interest payable monthly. The maturity date of the note was the earlier of May 15, 2012 or six months after repayment of the Bank Facility. At the option of Icarus, the note was repayable in Canadian funds with a stated conversion rate of 1.1789, or CAD \$3.5 million, representing the conversion rate at the issuance date of the Note. In accordance with ASC 815 "Derivatives and Hedging", this option has been bifurcated and recorded at fair value. Gains and losses resulting from the revaluation of this liability were included in other income (expense) in the consolidated statements of operations. The Note and accrued interest was fully repaid on November 26, 2009 in the amount of \$3.3 million.

On November 26, 2009, the Company issued \$10.8 million principal amount subordinated convertible promissory notes to a group of investors (the "Investor Notes") which includes related parties: Icarus (\$2,200,000), Jason DeZwirek (\$800,000), and Harvey Sandler Revocable Trust (\$800,000), which trust owns over 10% of our outstanding common stock.

Interest accrues under the Investor Notes at the annual rate of 6% and is payable as of the end of each calendar quarter. The Company used the proceeds of the Investor Notes to repay all of its previously existing subordinated debt in the amount of approximately \$4.5 million, which debt was accruing interest at rates between 11-12%. The balance of the proceeds will be used for general working capital. Fees of \$320,000 were paid for this private placement and are being amortized over the remaining term of the Investor Notes.

The Investor Notes are due on November 26, 2014 and are not repayable prior to maturity except upon a change of control, or upon the consent of the holder. The outstanding principal amount of the Investor Notes or any portion thereof, but not the interest, is convertible at the holder's option, at any time after the issuance of the Investor Notes at a conversion price of \$4.00 per share, such price being greater than the Company's share price at the date of the Investor Note agreement. Following three years from the date of the notes, if the closing price of the common stock of the Company is greater than \$8.00 for five consecutive days, the Company can cause conversion of the Investor Notes.

Overview of Cash Flows and Liquidity

(\$'s in thousands)	For the three months ended March 31,	
	2010	2009
Net cash (used in) provided by continuing operations	\$ (2,414)	\$ 6,775
Net cash provided by discontinued operations	675	1,780
Net cash used in investing activities	(188)	(517)
Net cash provided by (used in) financing activities	1,395	(8,123)
Net decrease in cash	\$ (532)	\$ (85)

CECO ENVIRONMENTAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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For the three months ended March 31, 2010, \$2.4 million of cash was used by continuing operating activities compared to \$6.8 million provided by continuing operating activities for the same period in 2009. The \$9.2 million change in cash flows from operating activities was primarily due to a net \$8.6 million increase in non-cash working capital requirements. That net increase was largely due to a \$10.2 million decrease in cash provided by the change in accounts receivable in the 2010 quarter as compared to the 2009 quarter, primarily due to lower revenues. Additionally, the 2010 first quarter change in uncompleted contract balances reflects a use of \$2.2 million of cash while the 2009 first quarter change reflects a provision of \$2.1 million of cash primarily due to lower advance billings to customers. These working capital changes were offset by a \$1.8 million use of cash in the first quarter of 2009 to pay income taxes that was not repeated in the first quarter of 2010. The changes in working capital elements were mainly the result of the continuing slow economic activity.

Depreciation and amortization amounted to \$0.4 million in for the three months ended March 31, 2010 compared to \$0.7 million for depreciation and amortization in the same period in 2009. This decrease in depreciation and amortization was due primarily to decreased amortization of definite life intangibles from recent acquisitions which are now fully amortized. 2010. Our net investment in working capital (excluding cash and cash equivalents, current portion of debt and working capital from discontinued operations) at March 31, 2010 was \$17.2 million as compared to \$14.5 million at December 31, 2009. We believe that our working capital needs will remain constant unless we experience a significant increase or decrease in sales and operating income.

For the three months ended March 31, 2010, net cash used in investing activities related to capital expenditures for property and equipment were \$0.2 million compared with \$0.5 million for the same period in 2009. We are managing our capital expenditures in light of the current level of sales.

For the three months ended March 31, 2010, financing activities, which simply consisted of net borrowings from our bank, provided cash of \$1.4 million, compared with cash used of \$8.1 million during the same period of 2009 primarily related to net payment of debt.

When we undertake large jobs, our working capital objective is to make these projects self-funding. We try to achieve this by obtaining initial down payments, progress billing contracts, when possible, utilizing extended payment terms from material suppliers, and 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 quarter to quarter. Accordingly, changes in inventory do not constitute a significant part of our investment in working capital.

Based on our historical results, management's experience, our current business strategy and current cash flows, we believe that our existing cash resources will be sufficient to meet our anticipated working capital and capital expenditure requirements for at least the next 12 months. Nevertheless, if we generate insufficient cash flows from operations or are unable to draw the amounts needed from our Bank Facility to meet our short-term liquidity needs, we may borrow additional funds. Although management believes that we will be able to fund our operations from current resources, there is no guarantee that we will be able to do so, however, alternative sources of funding are potentially available in the form of additional term debt to be provided by our lender, which may be collateralized by our real estate and equipment, as well as subordinated debt to be provided by a related party. However, we cannot provide any assurances that such financing will be available to us on favorable terms or at all.

Forward-Looking Statements

This Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact, including statements regarding industry prospects or future results of operations or financial position made in this Form 10-Q are forward-looking. We use words such as "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "plan," "should" and similar expressions to identify forward-looking statements. Forward-looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties, many of which are beyond our control, which may cause actual results, performance or trends to differ materially from those expressed in the forward-looking statements. Potential risks, among others, that could cause actual results to differ materially are discussed under "Item 1A Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and include, but are not limited to: our dependence on fixed price contracts and the risks associated therewith, including actual costs exceeding our estimates and our method of accounting for contract revenue; our history of losses and possibility of further losses; fluctuations in operating results from period to period due to seasonality of our business; the effect of growth on our infrastructure, resources, and existing sales; our ability to expand our operations in both new and existing markets; the potential for contract delay or cancellation; the potential for fluctuations in prices for manufactured components and raw materials; our ability to raise capital and the availability of capital resources; our ability to fully utilize and retain executives; the impact of federal, state or local government regulations; labor shortages or increases in labor costs; economic and political conditions generally; and the effect of competition in the air pollution control and industrial ventilation industry.

CECO ENVIRONMENTAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
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We 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. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

CECO ENVIRONMENTAL CORP.

ITEM 4T. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures (as such term is defined in Rules 13a- 15(e) and 15d- 15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this quarterly report. Based on this evaluation, such officers have concluded that these controls and procedures are effective as of the end of the period covered by this quarterly report on Form 10-Q in ensuring that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely discussions regarding required disclosure.

There have been no changes in the Company’s internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

CECO ENVIRONMENTAL CORP.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS

- 10.1 Ninth Amendment to Credit Agreement, dated February 12, 2010, effective date December 31, 2009 (Incorporated by reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed February 19, 2010).
- 10.2 Fifth Amended and Restated Revolving Credit Promissory Note, effective date December 31, 2009 (Incorporated by reference from Exhibit 10.2 of the Company's Current Report on Form 8-K filed February 19, 2010).
- 10.3 Amended and Restated Term Promissory Note, effective date December 31, 2009 (Incorporated by reference from Exhibit 10.3 of the Company's Current Report on Form 8-K filed February 19, 2010).
- 10.4 Employment Agreement of Jeffrey Lang dated February 15, 2010.
- 31.1 Rule 13(a)/15d- 14(a) Certification by Chief Executive Officer
- 31.2 Rule 13(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)

SIGNATURE

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

CECO Environmental Corp.

By: /s/ Dennis W. Blazer

Dennis W. Blazer

V.P. - Finance and Administration and Chief

Financial Officer

Date: May 14, 2010

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and entered into as of the 15th day of February, 2010, by and between Jeffrey Lang (the "Executive") and CECO Environmental Corp., a Delaware corporation (the "Company").

WHEREAS, the Company desires to employ Executive and to enter into an agreement, embodying the terms of such employment; and

WHEREAS, Executive desires to accept such employment and enter into such an agreement;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Subject to the provisions of Section 8 of this Agreement, Executive shall be employed by the Company for a period commencing on February 15, 2010 (the "Effective Date") and ending five (5) years after the Effective Date, unless terminated earlier, as provided herein, in accordance with the provisions of Section 8 of this Agreement (the "Employment Term").

2. Position.

a. During the Employment Term, Executive shall serve as the Chief Executive Officer of the Company. Executive shall also have the option of assuming the title of President of the Company. In such position, Executive shall have such duties and authority as shall be determined from time to time by the Compensation Committee of the Board of Directors ("Comp Committee") or such other designees of the Board of Directors' authority hereunder as the Board of Directors may designate (collectively, the "Board"). Executive agrees to serve, if requested, without additional compensation, as an officer for each of the Company's subsidiaries and other affiliates, including any entities in which the Company has a significant investment. Executive shall be nominated to serve as a member of the Board of Directors of the Company on or prior to the Company's 2010 Annual Meeting. Executive shall serve as a member of the Boards of Directors of the Company and any of its subsidiaries or other affiliates without additional compensation, if requested. As used in this Agreement, the term "affiliates" will include any entity controlled by, controlling, or under common control of the Company.

b. During the Employment Term, Executive will devote Executive's full business time and best efforts to the performance of Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise which would conflict or interfere with the rendition of such services, either directly or indirectly, without the prior written consent of the Board; provided that nothing herein shall preclude Executive, subject to the prior approval of the Board, from accepting appointment to or continuing to serve on any board of directors or trustees of any business corporation or any charitable organization or any industry association further provided, in each case, and in the aggregate, that such activities do not conflict or interfere with the performance of Executive's duties hereunder or conflict with Section 9 or Section 10. Set forth on Exhibit A hereto is a complete list, as of the Effective Date, of the Executive's positions on any board of directors or trustees of any business corporation or any charitable organization.

c. At all times during the Employment Term, Executive shall strictly adhere to and obey all of the Company's written rules, regulations and policies, including without limitation the CECO Environmental Corp. Code of Ethics and Corporate Insider Trading Policy as provided to Executive on February , 2010, and as amended from time to time to conform to applicable rules and regulations or as determined by the Board or a committee thereof, which govern the operation of the Company's business and the conduct of employees of the Company.

3. Base Salary. During the Employment Term, the Company shall pay Executive a base salary at the annual rate of \$385,000, payable in regular installments in accordance with the Company's usual payment practices. Executive's base salary shall be reviewed annually by the Comp Committee. Executive shall be entitled to such increases in Executive's base salary, if any, as may be determined from time to time in the sole discretion of the Comp Committee. Executive's annual base salary, as in effect from time to time, is hereinafter referred to as the "Base Salary."

4. Annual Bonus.

a. With respect to the 2010 fiscal year and each full fiscal year of the Company during the Employment Term ("Fiscal Year"), Executive shall be eligible to earn an annual bonus award (an "Annual Bonus"). The amount of each Annual Bonus shall be based on achievement of the annual targets (collectively, the "Bonus Targets") mutually determined by the Comp Committee and Executive, which Bonus Targets shall include the following metrics: gross profit, net income, personal goals and achievements, Company revenue, share price, and such other metrics as agreed to by Executive and the Comp Committee on an annual basis, commencing with the Bonus Targets for the Company's Fiscal Year commencing January 1, 2010 and ending December 31, 2010. Within 90 days following the Effective Date and thereafter on or before the date which is 30 days prior to the end of each of the Company's subsequent Fiscal Year ends, the Comp Committee will propose Bonus Targets for the upcoming Fiscal Year in consultation with the Executive and will make any adjustments to the Bonus Targets that the Comp Committee and the Executive agree are reasonable and appropriate. For each full Fiscal Year, if the Company achieves 100% of its Bonus Targets for such Fiscal Year, the Annual Bonus shall have a target value equal to 100% of Executive's Base Salary for that Fiscal Year. The Annual Bonus Target value shall be pro rated for the 2010 Fiscal Year based upon the percentage equal to number of days of such Fiscal Year following the Effective Date divided by 365. The Comp Committee will determine in its discretion what adjustments, if any, will be made to the Annual Bonus amount to be paid to Executive in the event the Company meets some but not all of its Bonus Targets for a Fiscal year.

b. Each Annual Bonus shall be deemed to vest and accrue at the end of the last day of the Fiscal Year for which it is earned. Each Annual Bonus shall be paid as soon as practicable following the end of the Fiscal Year for which it is earned, subject to the certification by the Chief Financial Officer of the Company and approval by the Comp Committee of achievement of the applicable performance targets and goals described in this Section 4 above and the amount of such Annual Bonus. The Annual Bonus, if any, shall be paid to Executive in

all cases within the later of i) two and one-half (2.5) months after the end of the Fiscal Year or ii) 30 days after the completion of an external audit to the satisfaction of the Comp Committee, but in no event later than two and one-half (2.5) months after the end of the calendar year in which the Annual Bonus vests.

c. Notwithstanding anything herein to the contrary, if the Company implements a plan from which the Company grants and administers cash incentive payments and the intent of such plan is to make the awards thereunder “qualified performance based compensation” under Section 162(m) of the Code, then on the day immediately prior to the day such plan is approved by shareholders (a) Section 4.a. shall be automatically and without further action amended and restated to read “With respect to each fiscal year of the Company during the Employment Term (“Fiscal Year”), Executive shall be eligible to earn an annual bonus award (an “Annual Bonus”) pursuant to and in accordance with the terms set from time to time by the Comp Committee.” and (b) Section 8.c.(ii)(B)(ii) shall be automatically and without further action amended and restated to read “the Annual Bonus for the Company’s Fiscal Year during which Executive’s termination without Cause occurred, based upon actual performance and prorated for the number of days employed during that Fiscal Year and paid within two and one half months after the end of such year”.

5. Stock Option Award. On or as soon as practicable following the Effective Date, Executive will be granted under the CECO Environmental Corp. 2007 Equity Incentive Plan (the “Plan”) an option agreement (the “Option Agreement”) containing incentive options for shares of common stock, up to the amount permitted by applicable law, and non-qualified stock options for the remainder resulting in the aggregate right to purchase up to 600,000 shares of the Company’s common stock, subject to the terms and conditions of the Plan, and subject to the action of the committee that administers such Plan (the “Stock Options”). The per-share exercise price for the Stock Options will be the fair market value of a share of the Company’s common stock on the date of grant as provided in the Plan. The Stock Options shall have a ten (10) year term. The Stock Options will vest in five (5) equal installments on each of the first five (5) anniversary dates of the Effective Date of this Agreement, as long as Executive is employed by the Company on such date. Additionally, the Option Agreement shall have the other terms as set forth in Exhibit B and other reasonable and customary Company stock option agreement terms not inconsistent with those set forth in Exhibit B.

6. Employee Benefits.

a. During the Employment Term, Executive shall be entitled to participate in the employee benefit plans of the Company or The Kirk & Blum Manufacturing Company (other than annual bonus plans, severance plans, and incentive plans) as in effect from time to time (collectively, “Employee Benefits”), on the same basis as those benefits are generally made available to other similarly situated executives.

b. Executive shall receive three (3) weeks paid vacation, of which not more than ten (10) days shall be taken consecutively, during each year of employment to accumulate from year to year to the extent not used and to be paid in cash to the extent not taken during the Employment Term, and such holiday and sick time as the as provided under the Company’s policies from time to time.

c. Executive shall receive a car allowance of \$1,000 per month.

d. The Company and Executive acknowledge that Executive shall incur relocation expenses in connection with the Executive's employment by the Company. The Company agrees that Executive shall be reimbursed for relocation expenses up to \$50,000. Any amounts in excess of \$50,000 shall require written approval of the Comp Committee.

7. Business Expenses. During the Employment Term, reasonable travel, entertainment and other business expenses incurred by Executive in the performance of Executive's as in effect from time to time duties hereunder shall be reimbursed by the Company in accordance with Company policies.

8. Termination. The Employment Term and Executive's employment hereunder may be terminated by either party at any time, with or without cause or for any or no cause; provided that Executive will be required to give the Company at least 60 days advance written notice of any resignation of Executive's employment. Notwithstanding any other provision of this Agreement, the provisions of this Section 8 shall exclusively govern Executive's rights upon termination of employment with the Company and its affiliates.

a. By the Company For Cause or By Executive Resignation.

(i) The Employment Term and Executive's employment hereunder may be terminated by the Company for Cause (as defined below) and shall terminate automatically upon Executive's resignation; provided that Executive shall be required to give the Company at least 60 days advance written notice of a resignation.

For purposes of this Agreement, "Cause" shall mean:

- (A) the wilfull and material breach of Executive of any provision of this Agreement;
- (B) any act by Executive of fraud or dishonesty including, but not limited to, stealing or falsification of company records, with respect to the Company or its affiliates;
- (C) failure by Executive to perform his duties as lawfully directed by the Board, provided the Company has delivered to Executive a written notice setting forth such failure and shall have given Executive an opportunity to meet with the Company and to remedy or cure such failure within 15 business days following delivery of such written notice;
- (D) misappropriation of Company funds or of any corporate opportunity;
- (E) any unauthorized use or disclosure of Confidential Information (as defined herein);

- (F) conviction of Executive of a felony, or of a crime that the Company, in its sole discretion, determines involves a subject matter which may reflect negatively on the reputation or business of the Company or any of its affiliates (or a plea of *nolo contendere* thereto), excluding minor traffic violations and similar incidents;
 - (G) acts by Executive attempting to secure or securing any personal profit not fully disclosed to and approved by the Board in connection with any transaction entered into on behalf of the Company or any of its affiliates;
 - (H) gross, willful or wanton negligence, misconduct, or other conduct on the part of Executive, which constitutes a breach of any fiduciary duty or duty of loyalty owed to the Company by Executive; provided the Company has delivered to Executive a written notice setting forth such conduct and shall have given Executive an opportunity to meet with the Company and to remedy or cure such conduct within 15 business days following delivery of such written notice;
 - (I) acceptance by Executive of employment with another employer, other than employment approved by the Board of Directors in accordance with Section 2(b) of this Agreement;
 - (J) conduct on the part of Executive, even if not in connection with the performance of Executive's duties contemplated under this Agreement, that could result in serious prejudice to the interests of the Company or any of its affiliates, as determined by the Board in its sole discretion, and failure by Executive to cease such conduct immediately upon receipt of notice to cease such conduct;
 - (K) violation of any material federal or state securities laws, rules or regulations, as determined by the Board in its sole and good faith discretion; or
 - (L) (A) obstructing or impeding; (B) endeavoring to influence, obstruct or impede, or (C) failing to materially cooperate with, any investigation authorized by the Board or any governmental or self-regulatory entity (an "Investigation"). However, Executive's failure to waive attorney-client privilege relating to communications with Executive's own attorney in connection with an Investigation will not constitute "Cause".
- (ii) If Executive's employment is terminated by the Company for Cause, or if Executive resigns, Executive shall be entitled to receive:
- (A) the Base Salary through the date of termination;

- (B) reimbursement, within 30 days following submission by Executive to the Company of appropriate supporting documentation, for any unreimbursed business expenses properly incurred by Executive in accordance with Company policy prior to the date of Executive's termination; provided claims for such reimbursement (accompanied by appropriate supporting documentation) are submitted to the Company within 90 days following the date of Executive's termination of employment;
- (C) accrued and unused vacation that the Company is legally obligated to pay to Executive; and
- (D) such Employee Benefits, if any, as to which Executive may be entitled under the employee benefit plans as described in Section 6 (the amounts described in clauses (A) through (D) hereof being referred to as the "Accrued Rights").

Following the termination of Executive's employment by the Company for Cause or resignation by Executive, except as set forth in this Section 8(a)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

b. Disability or Death.

(i) The Employment Term and Executive's employment hereunder shall terminate upon Executive's death and may be terminated by the Company if Executive becomes physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive's duties (such incapacity is hereinafter referred to as "Disability"). Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and Executive shall be final and conclusive for all purposes of the Agreement.

(ii) Upon termination of Executive's employment hereunder for either Disability or death, Executive or Executive's estate (as the case may be) shall be entitled to receive:

- (A) the Accrued Rights; and
- (B) subject to Executive's continued compliance with the provisions of Sections 9 and 10, continued payment of the Base Salary in accordance with the Company's normal payroll practices, as in effect on the date of termination of Executive's employment, for a period of three (3) months following the date of such termination.

The amounts and other benefits set forth in Section 8(b)(ii)(B) shall be in lieu of, and not in addition to, any severance benefits under any severance plan or policy of the Company or any of its affiliates. Following Executive's termination of employment due to death or Disability, except as set forth in this Section 8(b)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

c. By the Company Without Cause.

(i) The Employment Term and Executive's employment hereunder may be terminated by the Company without Cause.

(ii) If Executive's employment is terminated by the Company without Cause (other than by reason of death or Disability), Executive shall be entitled to receive:

(A) the Accrued Rights; and

(B) subject to Executive's continued compliance with the provisions of Sections 9 and 10, (i) continued payment of the Base Salary in accordance with the Company's normal payroll practices, as in effect on the date of termination of Executive's employment, for a period of twelve (12) months following the date of such termination, (ii) continuation of medical benefits under the Company's then current medical plans at the same level provided by the Company on the date of termination, for a period of twelve (12) months, provided that such medical benefits shall end earlier if Executive becomes eligible to participate in a medical plan offered by a subsequent employer, and (iii) the Annual Bonus as of the end of the Company's Fiscal Year during which Executive's termination without Cause occurred, based upon the then current Bonus Targets and the percentage of Base Salary applicable to the Annual Bonus for the previous Fiscal Year during the Employment Term (and if there is no prior Fiscal Year during the Employment Term, based on the percentage of Base Salary established for the Annual Bonus for the year ending December 31, 2010). In addition, the Stock Options held by Executive to the extent such Stock Options have already vested and become exercisable, will remain exercisable for a period of ninety (90) days from the date of termination, after which date all Stock Options will expire. The Executive's receipt of any Severance Payments and the Company's payment of the foregoing amounts to Executive under this Section 8(c)(ii)(B) shall be expressly conditioned upon and in consideration of Executive's execution and nonrevocation of a General Release in favor of the Company, in a form substantially the same as Exhibit C hereto and a separation agreement with reasonable and customary terms and conditions. (The period during which Executive is entitled to receive his Base Salary after termination of employment is referred to as the "Severance Period" and the amount so received as "Severance Payments.")

The amount set forth in Section 8(c)(ii)(B) shall be in lieu of, and not in addition to, any severance benefits under any severance plan or policy of the Company or any of its affiliates. Following Executive's termination of employment by the Company without Cause (other than by reason of Executive's death or Disability), except as set forth in this Section 8(c)(ii), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

d. Notice of Termination. Any purported termination of employment by the Company or by Executive (other than due to Executive's death) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 13(j) hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of employment under the provision so indicated.

e. Board/Committee Resignation. Upon termination of Executive's employment for any reason, Executive agrees to resign, as of the date of such termination and to the extent applicable, from the Board of Directors of the Company (and any committees thereof) and as an officer and from the Board of Directors (and any committees thereof) of any of the Company's subsidiaries and other affiliates.

9. Non-Competition.

a. Executive acknowledges and recognizes the highly competitive nature of the businesses of the Company and its affiliates and accordingly agrees as follows:

(1) During the Employment Term and, for the Severance Period following the date Executive ceases to be employed by the Company if the Executive is terminated by the Company without Cause, or if Executive's employment otherwise is terminated and (B) Executive is not entitled to Severance as a result of such termination, then in such cases, for the two years following termination of employment (collectively, the "Restricted Period"), Executive will not, whether on Executive's own behalf or on behalf of or in conjunction with any person, firm, partnership, limited liability company, limited liability partnership, joint venture, association, trust, corporation or other business organization, entity or enterprise whatsoever ("Person"), directly or indirectly:

- (i) engage in any business that competes with any of the businesses of the Company or its affiliates (including, without limitation, businesses which the Company or its affiliates have specific plans to conduct in the future and as to which plans Executive is aware) in any geographical area in which the Company or its affiliates produces, sells, manufactures, leases, rents, licenses or otherwise provides its products or services, including without limitation the manufacture of industrial air pollution control equipment and engineering solutions (a "Competitive Business");

- (ii) enter the employ of, or render any services to, any Person (or any division or controlled or controlling affiliate of any Person) who or which engages in a Competitive Business;
- (iii) acquire a financial interest in, or otherwise become actively involved with, any Competitive Business, directly or indirectly, as an individual, partner, shareholder, officer, director, principal, agent, trustee, consultant, adviser, franchisee, financier, lender, or guarantor; or
- (iv) interfere with, or attempt to interfere with, business relationships (whether formed before, on or after the date of this Agreement) between the Company or any of its affiliates and customers, clients, agents, contractors, managers, consultants, suppliers, bankers or investors.

(2) Notwithstanding anything to the contrary in this Agreement, Executive may, directly or indirectly, own, solely as an investment, securities of any Person engaged in a Competitive Business which are publicly traded on a national or regional stock exchange or on the over-the-counter market if Executive (i) is not a controlling person of, or a member of a group which controls, such person and (ii) does not, directly or indirectly, own 5% or more of any class of securities of such Person.

(3) During the Restricted Period, Executive will not, whether on Executive's own behalf or on behalf of or in conjunction with any Person, directly or indirectly:

- (i) Solicit, encourage or attempt to solicit or encourage any employee of the Company or any of its affiliates to leave the employment of the Company or its affiliates; or
- (ii) Hire, engage or employ any such employee who was employed by the Company or its affiliates as of the date of Executive's termination of employment with the Company or who left the employment of the Company or its affiliates coincident with, or within one year prior to or after, the termination of Executive's employment with the Company; provided that, this prohibition shall not apply to solicitations for employment and hiring resulting from general advertisements appearing in newspapers, periodicals, trade journals or other media of broad circulation, or to solicitations to employees of the Company or any of its affiliates after they are no longer employed by the Company or any affiliate of the Company.

(4) During the Restricted Period, neither Executive nor any business in which Executive may engage or participate in, will directly or indirectly solicit, encourage or attempt to solicit or encourage any customer or prospective customer of the Company or any of its

affiliates or any independent contractor providing services to the Company or any of its affiliates, determined, in each case, as of the date of termination, to terminate, modify or diminish its relationship with the Company or any of its affiliates or to seek to persuade any customer of the Company or any of its affiliates, determined as of the date of termination, to conduct with anyone else any business or activity that such customer conducts or could conduct with the Company or any of its affiliates.

(5) During the Restricted Period, neither Executive, nor any business in which Executive may engage or participate in, will, directly or indirectly, compete with the Company or any of its affiliates by merging with or acquiring any other company or business (whether by a purchase of stock or other equity interests, or a purchase of assets or otherwise) which is a Competitive Business.

b. It is expressly understood and agreed that although Executive and the Company consider the restrictions contained in this Section 9 to be reasonable, if a final judicial determination is made by a court of competent jurisdiction that the time or territory or any other restriction contained in this Agreement is an unenforceable restriction against Executive, the provisions of this Agreement shall not be rendered void but shall be deemed amended to apply as to such maximum time and territory and to such maximum extent as such court may judicially determine or indicate to be enforceable. Alternatively, if any court of competent jurisdiction finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be amended so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein. The provisions of this Section 9 shall survive the termination of Executive's employment for any reason.

10. Confidentiality; Intellectual Property.

a. Confidentiality.

(i) Except as prohibited by Section 10(b)(v) below, Executive will not at any time (whether during or after Executive's employment with the Company) (x) retain or use for the benefit, purposes or account of Executive or any other Person, or (y) disclose, divulge, reveal, communicate, share, transfer or provide access to any Person outside the Company (other than its professional advisers who are bound by confidentiality obligations), any non-public, proprietary or confidential information (including without limitation trade secrets, know-how, knowledge capital, research and development, software, consulting techniques, engineering techniques, source codes, databases, inventions, processes, formulae, databases, technology, designs and other intellectual property, information concerning finances, investments, projections, profits, strategies, pricing, costs, products, services, service providers, vendors, customers, clients, partners, investors, personnel, compensation, recruiting, training, advertising, sales, marketing, promotions, government and regulatory activities and approvals), in whatever form or media, concerning the past, current or future business, activities and operations of the Company, its subsidiaries or affiliates and/or any third party that has disclosed or provided any of same to the Company on a confidential basis, including any such information obtained prior to the Effective Date ("Confidential Information") without the prior written authorization of the Board.

(ii) “Confidential Information” shall not include any information that is (x) generally known to the industry or the public other than as a result of Executive’s breach of this covenant or any breach of other confidentiality obligations by third parties, (y) made legitimately available to Executive by a third party without breach of any confidentiality obligation, or (z) required by law to be disclosed; provided that Executive shall give prompt written notice to the Company of such requirement, disclose no more information than is so required, and cooperate with any attempts by the Company to obtain a protective order or similar treatment for such Confidential Information.

(iii) Upon termination of Executive’s employment with the Company for any reason, Executive shall (x) cease and not thereafter commence use of any Confidential Information or intellectual property (including without limitation, any patent, invention, copyright, trade secret, trademark, trade name, logo, domain name or other source indicator) owned or used by the Company or any of its affiliates, (y) immediately destroy, delete, or return to the Company, at the Company’s option, all originals and copies in any form or medium (including memoranda, books, papers, plans, computer files, thumb drives, letters and other data) in Executive’s possession or control (including any of the foregoing stored or located in Executive’s office, home, laptop or other computer, or in other location whether or not company property) that contain Confidential Information or otherwise relate to the business of the Company or any of its affiliates, except that Executive may retain only those portions of any personal notes, notebooks and diaries that do not contain any Confidential Information, and (z) notify and fully cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which Executive is or becomes aware.

b. Intellectual Property.

(i) If Executive has created, invented, designed, developed, contributed to or improved any works of authorship, inventions, intellectual property, materials, documents or other work product (including without limitation, research, reports, software, databases, systems, applications, presentations, textual works, content, or audiovisual materials) (“Works”), either alone or with third parties, prior to Executive’s employment by the Company hereunder, that are relevant to or implicated by such employment (“Prior Works”), Executive hereby grants the Company a perpetual, non-exclusive, royalty-free, worldwide, assignable, sublicensable license under all rights and intellectual property rights (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) therein for all purposes in connection with the Company’s current and future business.

(ii) If Executive creates, invents, designs, develops, contributes to, perfects or improves any Works, either alone or with third parties, at any time during Executive’s employment by the Company and within the scope of such employment and/or with the use of any the Company resources (“Company Works”), Executive shall promptly and fully disclose same to the Company and hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by applicable law, all rights, title, interest and intellectual property rights therein (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) to the Company to the extent ownership of any such rights does not vest originally in the Company.

(iii) Executive agrees to keep and maintain adequate and current written records (in the form of notes, sketches, drawings, and any other form or media requested by the Company) of all Company Works. The records will be available to and remain the sole property and intellectual property of the Company at all times.

(iv) Executive shall take all requested actions and execute all requested documents (including any licenses or assignments required by a government contract) at the Company's expense (but without further remuneration) to assist the Company in validating, maintaining, protecting, enforcing, perfecting, recording, patenting or registering any of the Company's rights in the Prior Works and Company Works. If the Company is unable for any other reason to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive's agent and attorney in fact, to act for and in Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

(v) Executive shall not improperly use for the benefit of, bring to any premises of, divulge, disclose, communicate, reveal, transfer or provide access to, or share with the Company any confidential, proprietary or non-public information or intellectual property relating to a former employer or other third party without the prior written permission of such third party. Executive hereby indemnifies, holds harmless and agrees to defend the Company and its officers, directors, partners, employees, agents and representatives from any breach of the foregoing covenant. Executive shall comply with all relevant policies and guidelines of the Company, including regarding the protection of confidential information and intellectual property and potential conflicts of interest. Executive acknowledges that the Company may amend any such policies and guidelines from time to time, and that Executive remains at all times bound by their most current version.

c. Nondisparagement. During the Employment Term and Restricted Period, Executive will not knowingly disparage, criticize, or otherwise make any derogatory statements regarding the Company, its affiliates or their directors or officers. The Company will instruct its and its affiliates' officers and directors to not knowingly disparage, criticize, or otherwise make any derogatory statements regarding Executive during the Employment Term and Restricted Period. Notwithstanding the foregoing, nothing contained in this agreement will be deemed to restrict Executive, the Company or any of the Company's or its affiliates current or former officers and/or directors from providing information to any governmental or regulatory agency (or in any way limit the content of any such information) to the extent they are requested or required to provide such information pursuant to applicable law or regulation.

d. Title. The provisions of this Section 10 shall survive the termination of Executive's employment for any reason.

11. Specific Performance. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 9 or Section 10 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company, without

posting any bond, shall be entitled to obtain equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

12. Change in Control. In the event of a Change in Control of the Company, if Executive is not offered employment with the successor entity or purchaser as chief executive officer with a compensation package equal to or better than the combination of Executive's Base Salary and Annual Bonus under this Agreement, then Executive shall resign as of the date of the Change in Control or agree to resign as of the end of a reasonable transition period after the Change in Control and shall be paid in a lump sum on the date of the Change in Control an amount equal to the sum of his annual Base Salary plus his Annual Bonus in an amount equal to the same percentage of his Base Salary as the Annual Bonus, if any, that he received for the most recently ended Fiscal Year. For purpose of this Agreement, the term Change in Control shall have the same meaning as set forth in the Plan. Immediately prior to the closing of a Change in Control the Stock Options held by Executive, to the extent such Stock Options have not already vested and become exercisable, will immediately vest and become exercisable.

13. Miscellaneous.

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio, without regard to conflicts of laws principles thereof.

b. Entire Agreement/Amendments. This Agreement contains the entire understanding of the parties with respect to the employment of Executive by the Company. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties with respect to the subject matter herein other than those expressly set forth herein. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

c. No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

d. Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

e. Assignment. This Agreement, and all of Executive's rights and duties hereunder, shall not be assignable or delegable by Executive. Any purported assignment or delegation by Executive in violation of the foregoing shall be null and void *ab initio* and of no force and effect. This Agreement may be assigned by the Company to a person or entity which is an affiliate or a successor in interest to substantially all of the business operations of the Company. Upon such assignment, the rights and obligations of the Company hereunder shall become the rights and obligations of such affiliate or successor person or entity.

f. Set Off; No Mitigation. The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, counterclaim or recoupment of amounts owed by Executive to the Company or its affiliates. Executive shall not be required to mitigate the amount of any payment provided for pursuant to this Agreement by seeking other employment. Anything in this Agreement to the contrary notwithstanding, in the event that Executive provides services for pay to anyone other than the Company or any of its affiliates during the term of Executive's employment hereunder, all amounts paid to Executive during such period pursuant to this Agreement shall be reduced (or if paid to Executive, refunded to the Company by Executive) by the amounts of salary, bonus or other cash or in-kind compensation earned by, paid or granted to Executive during such period as a result of Executive's performing such services (regardless of when such earned amounts are actually paid to Executive).

g. Code Section 409A.

(i) "Section 409A" shall mean Section 409A of the Code, and any proposed or final regulations and guidance promulgated thereunder. Notwithstanding anything to the contrary in this Agreement, no Deferred Compensation Separation Benefits (as defined below) will become payable under this Agreement until Executive has a "separation from service" which means a termination of employment of Executive with the Company, whether voluntarily or involuntarily, other than by reason of death or Disability, as determined by the Comp Committee in accordance with Treas. Reg. §1.409A-1(h). Executive shall be considered to have experienced a termination of employment when the facts and circumstances indicate that Executive and the Company reasonably anticipate that either (a) no further services will be performed for the Company after a certain date, or (b) that the level of bona fide services Executive will perform for the Company after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50% of the average level of bona fide services performed by Executive (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the Company if Executive has been providing services to the Company less than 36 months). Further, if the amount paid under this Agreement on separation from service is deferred compensation subject to Section 409A and if Executive is a "specified employee" within the meaning of Section 409A at the time of Executive's termination (other than due to death), and the severance payable to Executive, if any, pursuant to this Agreement, when considered together with any other severance payments or separation benefits, are considered deferred compensation under Section 409A (together, the "Deferred Compensation Separation Benefits"), such Deferred Compensation Separation Payments that are otherwise payable within the first six (6) months following Executive's termination of employment will become payable on the first payroll date that occurs on or after the date six (6) months and one (1) day following the date of Executive's termination of employment. All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit. Notwithstanding anything herein to the contrary, if Executive dies following his termination but prior to the six (6) month anniversary of his termination, then any payments delayed in accordance with this paragraph will be payable in a lump sum as soon as administratively practicable after the date of Executive's death and all other Deferred Compensation Separation Benefits will be payable in accordance with the payment schedule applicable to each payment or benefit. Each payment and benefit payable under this Agreement is intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

(ii) Any amount paid under this Agreement that satisfies the requirements of the “short-term deferral” rule set forth in Section 1.409A-1(b)(4) of the Treasury Regulations shall not constitute Deferred Compensation Separation Benefits for purposes of Section 13(g)(i) above.

(iii) Any amount paid under this Agreement that qualifies as a payment made as a result of an involuntary separation from service pursuant to Section 1.409A-1(b)(9)(iii) of the Treasury Regulations that does not exceed the Section 409A Limit (as defined below) shall not constitute Deferred Compensation Separation Benefits for purposes of Section 13(g)(i) above. For purposes of this Section 13(g)(iii) “Section 409A Limit” will mean the lesser of two (2) times: (i) Executive’s annualized compensation based upon the annual rate of pay paid to Executive during the Company’s taxable year preceding the Company’s taxable year of Executive’s termination of employment as determined under Treasury Regulation 1.409A-1(b)(9)(iii)(A)(1); or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year in which Executive’s employment is terminated.

(iv) The foregoing provisions are intended to comply with the requirements of Section 409A so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. The Company and Executive agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Executive under Section 409A.

h. Excise Taxes. In the event that the benefits provided for in this Agreement constitute “parachute payments” within the meaning of Section 280G of the Code and will be subject to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”), then Executive’s severance benefits payable under the terms of this Agreement will be either (i) delivered in full, or (ii) delivered as to such lesser extent which would result in no portion of such severance benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Executive on an after-tax basis, of the greatest amount of severance benefits, notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. Unless the Company and Executive otherwise agree in writing, any determination required under this Section 13(h) will be made in writing by the Company’s independent public accountants (the “Accountants”), whose determination will be conclusive and binding upon Executive and the Company for all purposes. For purposes of making the calculations required by this Section 13(h), the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Company and Executive will furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 13(h). The Company will bear all costs the Accountants may reasonably incur in connection with any

calculations contemplated by this Section 13(h). Any reduction in payments and/or benefits required by this Section 13(h) shall occur in the following order: (1) reduction of cash payments; (2) reduction of vesting acceleration of equity awards; and (3) reduction of other benefits paid or provided to Executive. In the event that acceleration of vesting of equity awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant for the Executive's equity awards. If two or more equity awards are granted on the same day, the equity awards will be reduced on a pro-rata basis.

i. Successors; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

j. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three business days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below in this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

CECO Environmental Corp.
2300 Yonge Street
P.O. Box 2408
Toronto, Ontario M4P 1E4
Canada
Attention: Phillip DeZwirek

If to Executive:

To the most recent address of Executive set forth in the personnel records of the Company.

k. Tax Withholding. All payments made pursuant to this Agreement will be subject to withholding of applicable taxes.

l. Executive Representation. Executive hereby represents to the Company that the execution and delivery of this Agreement by Executive and the Company and the performance by Executive of Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any employment agreement or other agreement or policy to which Executive is a party or otherwise bound.

m. Prior Agreements. This Agreement supersedes all prior agreements and understandings (including verbal agreements) between Executive and the Company and/or its affiliates regarding the terms and conditions of Executive's employment with the Company and/or its affiliates.

n. Cooperation. Executive shall provide Executive's reasonable cooperation in connection with any action or proceeding (or any appeal from any action or proceeding) which relates to events occurring during Executive's employment hereunder. This provision shall survive any termination of this Agreement.

o. Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

p. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[signature page follows]

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

CECO ENVIRONMENTAL CORP.

EXECUTIVE

/s/ Phillip DeZwirek

/s/ Jeffrey Lang

By: Phillip DeZwirek

Jeffrey Lang

Title: Chairman

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeffrey Lang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CECO Environmental Corp. (the "Company");
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company'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
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

/s/ Jeffrey Lang

Jeffrey Lang
Chief Executive Officer
Date: May 14, 2010

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Dennis W. Blazer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CECO Environmental Corp. (the "Company");
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company's other certifying officer 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company'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
 - d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the Company's auditors and the audit committee of the Company'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 Company'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 Company's internal control over financial reporting.

/s/ Dennis W. Blazer

Dennis W. Blazer

V.P. – Finance and Administration and Chief
Financial Officer

Date: May 14, 2010

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 Quarterly Report of CECO Environmental Corp. (the "Company") on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey Lang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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, as amended; 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/ Jeffrey Lang

Chief Executive Officer

Date: May 14, 2010

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 Quarterly Report of CECO Environmental Corp. (the "Company") on Form 10-Q for the period ending March 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis W. Blazer, V.P. – Finance and Administration and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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 as amended; 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/ Dennis W. Blazer

Dennis W. Blazer

V.P. – Finance and Administration and Chief Financial Officer

Date: May 14, 2010