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

FORM 10-Q

(Mark one)

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

For the quarterly period ended June 30, 2014

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. 0-7099

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

Delaware **(State or other jurisdiction of Incorporation or organization)**	**13-25660** **(IRS Employer Identification No.)**
4625 Red Bank Road, Cincinnati, Ohio **(Address of principal executive offices)**	**45227** **(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one)

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 ☒

The number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 25,806,676 shares of common stock, par value $0.01 per share, as of August 1, 2014.

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended June 30, 2014

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CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except per share data)	(unaudited) JUNE 30, 2014	DECEMBER 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,788	$ 22,661
Accounts receivable, net	41,298	44,364
Costs and estimated earnings in excess of billings on uncompleted contracts	15,215	11,110
Inventories, net	24,063	25,376
Prepaid expenses and other current assets	6,153	6,651
Prepaid income taxes	5,622	3,527
Assets held for sale	4,243	11,083
Total current assets	114,382	124,772
Property, plant and equipment, net	19,432	21,665
Goodwill	134,001	132,220
Intangible assets-finite life, net	42,933	46,813
Intangible assets-indefinite life	18,394	18,419
Deferred charges and other assets	4,484	4,647
	$333,626	$ 348,536
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	$ 7,013	$ 9,922
Accounts payable and accrued expenses	26,557	34,356
Billings in excess of costs and estimated earnings on uncompleted contracts	11,319	13,486
Income taxes payable	775	1,569
Total current liabilities	45,664	59,333
Other liabilities	10,207	10,302
Debt, less current portion	72,170	79,160
Deferred income tax liability, net	29,982	29,335
Total liabilities	158,023	178,130
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, $.01 par value; 10,000 shares authorized, none issued	—	—
Common stock, $.01 par value; 100,000,000 shares authorized, 25,797,722 and 25,724,519 shares issued in 2014 and 2013, respectively	258	257
Capital in excess of par value	160,186	159,566
Accumulated earnings	16,599	11,911
Accumulated other comprehensive loss	(1,084)	(972)
	175,959	170,762
Less treasury stock, at cost, 137,920 shares in 2014 and 2013	(356)	(356)
Total shareholders' equity	175,603	170,406
	$333,626	$ 348,536

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

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(dollars in thousands, except per share data)	THREE MONTHS ENDED JUNE 30, 2014	THREE MONTHS ENDED JUNE 30, 2013	SIX MONTHS ENDED JUNE 30, 2014	SIX MONTHS ENDED JUNE 30, 2013
Net sales	$ 66,641	$ 44,433	$ 123,811	$ 78,794
Cost of sales	45,192	30,136	82,633	53,313
Gross profit	21,449	14,297	41,178	25,481
Selling and administrative	11,685	8,100	23,364	14,692
Acquisition and integration expenses	170	2,299	240	3,394
Amortization and earn out expenses	2,406	591	4,894	750
Income from operations	7,188	3,307	12,680	6,645
Other (expenses) income, net	(121)	(59)	(227)	72
Interest expense	(746)	(154)	(1,488)	(251)
Income before income taxes	6,321	3,094	10,965	6,466
Income tax expense	1,828	51	3,451	1,215
Net income	$ 4,493	$ 3,043	$ 7,514	$ 5,251
Earnings per share:				
Basic	$ 0.18	$ 0.17	$ 0.29	$ 0.30
Diluted	$ 0.17	$ 0.17	$ 0.29	$ 0.29
Weighted average number of common shares outstanding:				
Basic	25,643,508	17,750,512	25,625,033	17,416,118
Diluted	26,107,648	18,355,496	26,111,683	18,066,539

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

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(dollars in thousands)	THREE MONTHS ENDED JUNE 30, 2014	THREE MONTHS ENDED JUNE 30, 2013	SIX MONTHS ENDED JUNE 30, 2014	SIX MONTHS ENDED JUNE 30, 2013
Net income	$ 4,493	$ 3,043	$ 7,514	$ 5,251
Other comprehensive income (loss):				
Foreign currency translation	126	153	(112)	(628)
Other comprehensive income (loss)	126	153	(112)	(628)
Comprehensive income	$ 4,619	$ 3,196	$ 7,402	$ 4,623

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(dollars in thousands)	SIX MONTHS ENDED JUNE 30, 2014	2013
Cash flows from operating activities:		
Net income	$ 7,514	$ 5,251
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,389	1,313
Gain on sale of property and equipment	(13)	—
Non-cash interest expense included in net income	275	34
Share based compensation expense	750	373
Bad debt expense (recoveries)	82	(26)
Inventory reserve expense	308	67
Changes in operating assets and liabilities, net of effect of acquisitions:		
Accounts receivable	2,984	5,495
Costs and estimated earnings in excess of billings on uncompleted contracts	(4,105)	(3,544)
Inventories	794	221
Prepaid expense and other current assets	(1,560)	(1,444)
Deferred charges and other assets	80	310
Accrued litigation settlement	(2,536)	—
Accounts payable and accrued expenses	(5,263)	20
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,167)	(234)
Income taxes payable	(794)	(1,703)
Other liabilities	33	1,982
Net cash provided by operating activities	1,771	8,115
Cash flows from investing activities:		
Acquisitions of property and equipment	(711)	(236)
Proceeds from sale of property and equipment	7,124	—
Net cash paid for acquisition	—	(24,379)
Net cash provided by (used in) by investing activities	6,413	(24,615)
Cash flows from financing activities:		
Net (repayments) on revolving credit lines	(4,675)	(102)
Repayments of debt	(5,427)	—
Proceeds from employee stock purchase plan and exercise of stock options	844	441
Repurchases of common stock	(973)	—
Dividends paid to common shareholders	(2,826)	(1,767)
Net cash used in financing activities	(13,057)	(1,428)
Net decrease in cash and cash equivalents	(4,873)	(17,928)
Cash and cash equivalents at beginning of period	22,661	22,994
Cash and cash equivalents at end of period	$ 17,788	$ 5,066
Supplemental Schedule of Non-Cash Activities:		
Common stock issued in business acquisition	$ —	$ 7,423
Cash paid during the period for:		
Interest	$ 1,505	$ 310
Income taxes	$ 5,903	$ 3,411

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

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES
NOTES TO 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 its subsidiaries (the "Company", "we", "us", or "our") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). 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 June 30, 2014 and the results of operations and cash flows for the three-month and six-month periods ended June 30, 2014 and 2013. The results of operations for the three-month and six-month periods ended June 30, 2014 are not necessarily indicative of the results to be expected for the full year. The balance sheet as of December 31, 2013 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, 2013 filed with the SEC.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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.

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 year ended December 31, 2013 filed with the SEC.

Unless otherwise indicated, all balances within tables are in thousands, except per share amounts.

On February 28, 2013 and August 27, 2013, the Company completed the acquisitions of Aarding Thermal Acoustics B.V. ("Aarding") and Met-Pro Corporation ("Met-Pro"), respectively. The results of their operations have been consolidated with our results following the acquisition dates. For a more complete discussion of the transactions, refer to Note 16.

2. New Financial Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue From Contracts With Customers." ASU 2014-09 supersedes nearly all existing revenue recognition under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration the Company expects to be entitled to for those goods or services using a defined five step process. More judgment and estimates may be required to achieve this principle than under existing U.S. GAAP. ASU 2014-09 is effective for annual periods beginning after December 15, 2016, including interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption which includes additional footnote disclosures. The Company is currently evaluating the impact of the adoption of ASU 2014-09 on the Company's consolidated financial statements and has not yet determined the method of adoption.

In April 2014, the FASB issued ASU 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU 2014-08 amends the definition of a discontinued operation and requires entities to disclose additional information about disposal transactions that do not meet the discontinued-operations criteria. The FASB issued the ASU to provide more decision-useful information and to elevate the threshold for a disposal transaction to qualify as a discontinued operation. ASU 2014-08 is effective for disposals or classifications as held for sale of components of an entity that occur within annual periods beginning on or after December 15, 2014, including interim periods within those years. The adoption of this standard is not expected to have a significant impact on the Company's consolidated financial statements.

3. Accounts Receivable

(Table only in thousands)	June 30, 2014	December 31, 2013
Trade receivables	$19,905	$ 18,815
Contract receivables	22,158	26,249
Allowance for doubtful accounts	(765)	(700)
	$41,298	$ 44,364

The provision (recovery) for doubtful accounts was $25,000 and $10,000 for the three-month periods ended June 30, 2014 and 2013, respectively, and $0.1 million and $(26,000) for the six-month periods ended June 30, 2014 and 2013, respectively.

4. Costs and Estimated Earnings on Uncompleted Contracts

Revenues from contracts are recognized on the percentage of completion method, measured by the percentage of contract costs incurred to date compared to estimated total contract costs for each contract. This method is used because management considers contract costs to be the best available measure of progress on these contracts. Revenues are also recognized on a completed contract basis, 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 within the next twelve months.

	June 30, 2014	December 31, 2013
Costs incurred on uncompleted contracts	$ 65,636	$ 61,416
Estimated earnings	21,036	21,505
	86,672	82,921
Less billings to date	(82,776)	(85,297)
	$ 3,896	$ (2,376)
Included in the accompanying consolidated balance sheets under the following captions:		
Costs and estimated earnings in excess of billings on uncompleted contracts	$ 15,215	$ 11,110
Billings in excess of costs and estimated earnings on uncompleted contracts	(11,319)	(13,486)
	$ 3,896	$ (2,376)

5. Inventories

(Table only in thousands)	June 30, 2014	December 31, 2013
Raw materials	$19,563	$ 19,753
Work in process	2,795	3,172
Finished goods	2,549	2,987
Obsolescence allowance	(844)	(536)
	$24,063	$ 25,376

Amounts credited to the allowance for obsolete inventory and charged to cost of sales amounted to $0.2 million and $0.1 million for the three-month periods and $0.3 million and $0.1 million for the six-month periods ended June 30, 2014 and 2013, respectively.

6. Goodwill and Intangible Assets

(Table only in thousands) Goodwill / Tradename	Six months ended June 30, 2014 Goodwill	Six months ended June 30, 2014 Tradename	Year ended December 31, 2013 Goodwill	Year ended December 31, 2013 Tradename
Beginning balance	$132,220	$ 18,419	$ 19,548	$ 3,526
Acquisitions and related adjustments	1,841	—	112,306	14,775
Foreign currency adjustments	(60)	(25)	366	118
	$134,001	$ 18,394	$132,220	$ 18,419

(Table only in thousands) Intangible assets – finite life	As of June 30, 2014 Cost	As of June 30, 2014 Accum. Amort.	As of December 31, 2013 Cost	As of December 31, 2013 Accum. Amort.
Patents	$ 1,429	$1,408	$ 1,423	$ 1,383
Employment agreements	757	345	762	221
Technology	8,897	1,769	8,942	789
Customer lists	41,357	5,985	41,582	3,503
	$52,440	$9,507	$ 52,709	$ 5,896

Activity for the six months ended June 30, 2014 and 2013 is as follows:

(Table only in thousands)	2014	2013
Intangible assets – finite life, net at beginning of period	$46,813	$ 1,283
Amortization expense	(3,593)	(750)
Acquisitions/purchase accounting adjustments	(175)	13,477
Foreign currency adjustments	(112)	(26)
Intangible assets – finite life, net at end of period	$42,933	$13,984

Amortization expense of finite life intangible assets was $1.8 million and $0.6 million for the three-months periods ended June 30, 2014 and 2013, respectively, and $3.6 million and $0.8 million for the six-month periods ended June 30, 2014 and 2013, respectively. Amortization over the next five years for finite life intangibles is expected to be $3.4 million for the remainder of 2014, $7.1 million in 2015, $6.1 million in 2016, $5.2 million in 2017, and $4.0 million in 2018.

7. Accounts Payable and Accrued Expenses

	June 30, 2014	December 31, 2013
Trade accounts payable, including due to subcontractors	$19,490	$ 23,108
Compensation and related benefits	1,505	2,412
Accrued interest	170	399
Current portion of earn-out liability	1,050	1,812
Accrued warranty	1,232	1,107
Other accrued expenses	3,110	5,518
	$26,557	$ 34,356

8. Debt

Debt consisted of the following at June 30, 2014 and December 31, 2013:

(Table only in thousands)	June 30, 2014	December 31, 2013
Outstanding borrowings under Credit Facility (defined below). Term loan payable in quarterly principal installments of $1.2 million through September 2016, $1.5 million through September 2017, and $1.9 million thereafter with balance due upon maturity in August 2018.		
- Term loan	$58,424	$ 63,781
- U.S. Dollar revolving loans	20,000	22,000
- Multi-currency revolving loans	—	—
- Unamortized debt discount	(1,713)	(1,918)
Total outstanding borrowings under Credit Facility	76,711	83,863
Outstanding borrowings under Canadian dollar-denominated Flextor Facility (defined below)	—	—
Outstanding borrowings (U.S. dollar equivalent) under Aarding Facility (defined below)	2,233	4,909
Outstanding borrowings (U.S. dollar equivalent) under Euro-denominated note payable to a bank, payable in quarterly installments of €25 ($34 as of June 30, 2014), plus interest, at a fixed rate of 3.82%, maturing January 2016. Collateralized by the Heerenveen, Netherlands building.	239	310
Total outstanding borrowings	$79,183	$ 89,082
Less: current portion	7,013	9,922
Total debt, less current portion	$72,170	$ 79,160

U.S. Debt

On August 27, 2013, the Company entered into a credit agreement (the "Credit Agreement") with various lenders (the "Lenders") and letter of credit issuers (each, an "L/C Issuer"), and Bank of America, N.A., as Administrative Agent (the "Agent"), swing line lender and an L/C Issuer, providing for various senior secured credit facilities (collectively, the "Credit Facility") comprised of a $65.0 million senior secured term loan, a $70.5 million senior secured U.S. dollar revolving credit facility for U.S. dollar revolving loans with sub-facilities for letters of credit and swing-line loans, and a $19.5 million senior secured multi-currency revolving credit facility for U.S. dollar and specific foreign currency loans. The Company has the option to obtain additional commitments for either the U.S. dollar revolving credit facility or the term loan facility in an aggregate principal amount not to exceed $30.0 million. As of June 30, 2014 and December 31, 2013, $0.8 million and $1.3 million of letters of credit were outstanding, respectively. Total unused credit availability under the Credit Facility was $69.2 million and $66.7 million at June 30, 2014 and December 31, 2013, respectively. Revolving loans may be borrowed, repaid and reborrowed until August 27, 2018, at which time all amounts borrowed pursuant to the Credit Facility must be repaid.

At the Company's option, revolving loans and the term loans accrue interest at a per annum rate based on either the highest of (a) the federal funds rate plus 0.5%, (b) the Agent's prime lending rate, and (c) one-month LIBOR plus 1.00%, plus a margin ranging from 0.5% to 1.5% depending on the Company's consolidated leverage ratio ("Base Rate"), or a Eurocurrency Rate (as defined in the agreement) plus 1.5% to 2.5% depending on the Company's consolidated leverage ratio. Interest on swing line loans is the Base Rate.

Accrued interest on Base Rate Loans is payable quarterly in arrears on the last day of each calendar quarter and at maturity. Interest on Eurocurrency Loans is payable on the last date of each applicable Interest Period (as defined in the agreement), but in no event less than once every three months and at maturity. The weighted average interest rate on outstanding borrowings was 2.22% and 2.23% at June 30, 2014 and December 31, 2013, respectively.

The Company has granted a security interest in substantially all of its assets to secure its obligations pursuant to the Credit Agreement. The Credit Agreement is guaranteed by the Company's U.S. subsidiaries and such guaranty obligations are secured by a security interest on substantially all of the assets of such subsidiaries, including certain real property. The Credit Agreement may also be guaranteed by the Company's material foreign subsidiaries to the extent no adverse tax consequences would result to the Company.

The Credit Agreement contains customary affirmative and negative covenants, including the requirement to maintain compliance with a consolidated leverage ratio of less than 2.75 and a consolidated fixed charge coverage ratio of more than 1.25. The Credit Agreement also includes customary events of default and the occurrence of an event of default could result in an increased interest rate equal to 2.0% above the applicable interest rate for loans, the acceleration of the Company's obligations pursuant to the Credit Agreement and an obligation of the subsidiary guarantors to repay the full amount of the Company's borrowings pursuant to the Credit Agreement.

As of June 30, 2014 and December 31, 2013, the Company was in compliance with all related financial and other restrictive covenants under the Credit Agreement.

The Company paid $2.7 million of other customary closing fees, arrangement fees, administration fees, letter of credit fees and commitment fees for the Credit Agreement. As of both June 30, 2014 and December 31, 2013, capitalized deferred financing costs of $0.6 million are included in deferred charges and other assets and $1.7 million and $1.9 million, respectively, are included as a discount to debt in the accompanying condensed consolidated balance sheets. Amortization expense was $0.2 million and $0.3 million for the respective three-month and six-month periods ended June 30, 2014 and is classified as interest expense.

Foreign Debt

We have a $5.5 million facilities agreement (Canadian $ denominated), originally dated November 28, 2007 (as amended from time to time), made between our Canadian subsidiary, Flextor, Inc., as borrower and Caisse/branch Caisse Desjardins du Mont-Saint-Bruno as the lender ("Flextor Facility"). The facilities agreement includes (in Canadian $) a $2.5 million bank guarantee facility (under the PSG Program from Export Development Canada), a $0.5 million line of credit specific to forward exchange contracts, and a $2.5 million variable (subject to asset value limitations) line of credit for operations. The facility interest rate is the Caisse central Desjardins' prime rate plus 0.5%. All of the borrower's assets are pledged for the facility, and the borrower must have a working capital ratio of at least 1.25:1, working capital of at least $1.0 million, debt to adjusted tangible net worth ratio of less than 2.50:1, and minimum adjusted tangible net worth of $1.3 million. As of June 30, 2014 and December 31, 2013, the borrower was in compliance with all related financial and other restrictive covenants. As of June 30, 2014 and December 31, 2013, there were no amounts outstanding under the facilities agreement.

We have a €7.0 million facilities agreement, originally dated August 17, 2012 (as amended from time to time), made between our Netherland's subsidiaries ATA Beheer B.V. and Aarding Thermal Acoustics B.V., as borrowers and ING Bank N.V. as the lender ("Aarding Facility"). The facilities agreement includes a €3.5 million bank guarantee facility and a €3.5 million overdraft facility. The bank guarantee and overdraft interest rate is three months Euribor plus 195 basis points (2.26% as of June 30, 2014). All of the borrowers' assets are pledged for this facility, and the borrowers' solvency ratio must be at least 30% and net debt/last twelve months EBITDA less than 3.0. As of June 30, 2014 and December 31, 2013, the borrowers were in compliance with all related financial and other restrictive covenants. As of June 30, 2014, €2.9 million ($4.0 million) of the bank guarantee and €1.6 million ($2.2 million) of the overdraft facility are being used by the borrowers. As of December 31, 2013, €2.5 million ($3.4 million) of the bank guarantee and €3.5 million ($4.9 million) of the overdraft facility were being used by the borrowers.

9. Earnings and Dividends per Share

The computational components of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2014 and 2013 are below.

	For the three-month period ended June 30, 2014		
	Numerator (Income)	Denominator (Shares)	Per Share Amount
Basic net income and earnings per share	$ 4,493	25,644	$ 0.18
Effect of dilutive securities and notes:			
Common stock equivalents arising from stock options and employee stock purchase plan	—	464	(0.01)
Diluted earnings and earnings per share	$ 4,493	26,108	$ 0.17

	For the three-month period ended June 30, 2013		
	Numerator (Income)	Denominator (Shares)	Per Share Amount
Basic net income and earnings per share	$ 3,043	17,751	$ 0.17
Effect of dilutive securities and notes:			
Common stock equivalents arising from stock options and employee stock purchase plan	—	604	—
Diluted earnings and earnings per share	$ 3,043	18,355	$ 0.17

	For the six-month period ended June 30, 2014		
	Numerator (Income)	Denominator (Shares)	Per Share Amount
Basic net income and earnings per share	$ 7,514	25,625	$ 0.29
Effect of dilutive securities and notes:			
Common stock equivalents arising from stock options and employee stock purchase plan	—	487	—
Diluted earnings and earnings per share	$ 7,514	26,112	$ 0.29

	For the six-month period ended June 30, 2013		
	Numerator (Income)	Denominator (Shares)	Per Share Amount
Basic net income and earnings per share	$ 5,251	17,416	$ 0.30
Effect of dilutive securities and notes:			
Common stock equivalents arising from stock options and employee stock purchase plan	—	651	(0.01)
Diluted earnings and earnings per share	$ 5,251	18,067	$ 0.29

Options and warrants included in the computation of diluted earnings per share are included using the treasury stock method. For each of the three month and six month periods ended June 30, 2013, 62,500 outstanding options and warrants were excluded from the computation of diluted earnings per share due to their having an anti-dilutive effect.

Holders of certain 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 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. 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.

Once a restricted stock award vests, it is included in the computation of weighted average shares outstanding for purposes of basic and diluted earnings per share.

The Company declared and on March 31, 2014 paid to common stockholders a quarterly dividend of $0.05 per share, and declared and on June 27, 2014 paid to common stockholders a quarterly dividend of $0.06 per share. The dividend policy and the payment of cash dividends under that policy are subject to the Board of Directors' continuing determination that the dividend policy and the declaration of dividends are in the best interest of the Company's stockholders. Future dividends and the dividend policy may be changed or cancelled at the Company's discretion at any time. Payment of dividends is also subject to the continuing consent of our lender under our Credit Facility.

10. Share-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 $375,000 and $215,000 during the three-month periods and $750,000 and $373,000 during the six-month periods ended June 30, 2014 and 2013, respectively.

The weighted-average fair value of stock options granted during the six months ended June 30, 2014 and 2013 was estimated at $6.94 and $5.78 per option, respectively, using the Black-Scholes option-pricing model based on the following assumptions:

Expected Volatility: The Company utilizes a volatility factor based on the Company's historical stock prices for a period of time equal to the expected term of the stock option utilizing weekly price observations. For the six months ended June 30, 2014 and 2013, the Company utilized a weighted-average volatility factor of 56% and 58%, respectively.

Expected Term: For the six months ended June 30, 2014 and 2013, the Company utilized a weighted-average expected term factor of 6.2 years.

Risk-Free Interest Rate: The risk-free interest rate factor utilized is based upon the implied yields currently available on U.S. Treasury zero-coupon issues over the expected term of the stock options. For the six months ended June 30, 2014 and 2013, the Company utilized a weighted-average risk-free interest rate factor of 2.2% and 1.3%, respectively.

Expected Dividends: The Company utilized a weighted average expected dividend rate of 1.6% to value options granted during the six months ended June 30, 2014 and 2013.

The fair value of the stock options granted is recorded as compensation expense on a straight-line basis over the vesting periods of the options adjusted for the Company's estimate of pre-vesting forfeitures. The pre-vesting forfeiture estimate is based on historical activity and is reviewed periodically and updated as necessary.

The Company received $0.8 million and $0.4 million in cash from employees and directors exercising options during the six months ended June 30, 2014 and 2013, respectively. The intrinsic value of options exercised during the six months ended June 30, 2014 and 2013 was $1.2 million and $0.4 million, respectively.

11. Stock Purchase

During the three-month period ended March 31, 2014, the Company repurchased 61,500 shares of common stock from a former director for a total cost of $1.0 million. The shares were immediately retired.

12. Pension and Employee Benefit Plans

We sponsor several non-contributory defined benefit pension plans for certain union employees. During 2013, the Company acquired two defined benefit pension plans covering eligible employees in the United States in connection with the acquisition of Met-Pro. All plans are 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 retired before January 1, 1990. The plan allowed retirees who 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:

(Table only in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Pension plan:				
Service cost	$ 50	$ 17	$ 100	$ 34
Interest cost	357	78	715	156
Expected return on plan assets	(488)	(102)	(976)	(204)
Amortization of net actuarial loss	44	92	88	184
Net periodic benefit cost (gain)	$ (37)	$ 85	$ (73)	$ 170
Health care plan:				
Interest cost	$ 1	$ 1	$ 3	$ 2
Amortization of gain	(1)	(4)	(3)	(8)
Net periodic benefit gain	$ —	$ (3)	$ —	$ (6)

We made contributions to our defined benefit plans during the six months ended June 30, 2014 and 2013 totaling $0.9 million and $0.1 million, respectively. We anticipate contributing $1.0 million to fund the pension plan and $21,000 for the retiree health care plan during the remainder of 2014. The unfunded liability of the plans of $6.4 million as of June 30, 2014 and December 31, 2013 is included in the Other Liabilities on our condensed consolidated balance sheets.

13. 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 2008.

The Company accounts for uncertain tax positions pursuant to ASC Topic 740, "Income Taxes." As of both June 30, 2014 and December 31, 2013, the liability for uncertain tax positions totaled approximately $0.8 million, which is included in Other Liabilities on our condensed consolidated balance sheets. The Company recognizes interest accrued related to uncertain tax positions in interest expense and penalties in income tax expense.

14. Financial Instruments

Our financial instruments consist primarily of investments in cash and cash equivalents, receivables and certain other assets, debt and accounts payable, which approximate fair value at June 30, 2014, due to their short term nature or variable, market-driven interest rates.

At June 30, 2014 and December 31, 2013, we had cash and cash equivalents of $17.8 million and $22.7 million, respectively, of which $11.0 million and $17.6 million, respectively, was held outside of the United States, principally in the Netherlands, China and Canada. Substantially all of the amounts held outside of the United States are intended to be indefinitely reinvested in foreign operations. Our current plans do not anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event funds from foreign operations are needed in the United States, any repatriation could result in the accrual and payment of additional U.S. income tax.

On March 31, 2014, Aarding entered into a one-month foreign exchange forward contract to manage exposure to foreign currency fluctuations on a U.S. dollar-denominated transaction totaling $5.5 million. The contract expired prior to June 30, 2014 and there are no such contracts outstanding as of June 30, 2014.

15. Commitments and Contingencies – Legal Matters

Our subsidiary, Met-Pro, beginning in 2002, began to be named in asbestos-related lawsuits filed against a large number of industrial companies including, in particular, those in the pump and fluid handling industries. In management's opinion, the complaints typically have been vague, general and speculative, alleging that Met-Pro, along with the numerous other defendants, sold unidentified asbestos-containing products and engaged in other related actions which caused injuries (including death) and loss to the plaintiffs. Counsel has advised that more recent cases typically allege more serious claims of mesothelioma. The Company's insurers have hired attorneys who, together with the Company, are vigorously defending these cases. Many cases have been dismissed after the plaintiff fails to produce evidence of exposure to Met-Pro's products. In those cases where evidence has been produced, the Company's experience has been that the exposure levels are low and the Company's position has been that its products were not a cause of death, injury or loss. The Company has been dismissed from or settled a large number of these cases. Cumulative settlement payments from 2002 through June 30, 2014 for cases involving asbestos-related claims were $0.7 million, which, together with all legal fees other than corporate counsel expenses, have been paid by the Company's insurers. The average cost per settled claim, excluding legal fees, was approximately $25,000.

Based upon the most recent information available to the Company regarding such claims, there were a total of 186 cases pending against the Company as of June 30, 2014 (with Connecticut, New York, Pennsylvania and West Virginia having the largest number of cases), as compared with 173 cases that were pending as of December 31, 2013. During the six months ended June 30, 2014, 27 new cases were filed against the Company, and the Company was dismissed from 14 cases and settled zero cases. Most of the pending cases have not advanced beyond the early stages of discovery, although a number of cases are on schedules leading to, or are scheduled for trial. The Company believes that its insurance coverage is adequate for the cases currently pending against the Company and for the foreseeable future, assuming a continuation of the current volume, nature of cases and settlement amounts. However, the Company has no control over the number and nature of cases that are filed against it, nor as to the financial health of its insurers or their position as to coverage. The Company also presently believes that none of the pending cases will have a material adverse impact upon the Company's results of operations, liquidity or financial condition.

One of our subsidiaries, Fisher-Klosterman, Inc. ("FKI"), is a defendant party in a products liability lawsuit filed in Harris County, Texas on August 23, 2010 by three Valero refining companies. The plaintiffs claim that FKI (and its co-Defendants) used an allegedly defective refractory material included in cyclones it supplied to Valero that caused damages to refineries they own and operate. Plaintiffs claim to have suffered property damages including catalyst loss, regenerator repair costs, replacement part costs, damage to other property and business interruption loss although the Plaintiffs generally have alleged losses not in excess of $75 million, the Plaintiffs only specifically claim approximately $36 million in damages. The Company intends to vigorously defend this matter. Based on currently available information, as of June 30, 2014, we have not recorded any reserve with respect to this matter.

Met-Pro and the Met-Pro former board of directors had been named as defendants in a putative class action lawsuit brought by an alleged former Met-Pro shareholder who challenged the proposed mergers filed in the United States District Court for the Eastern District of Pennsylvania. The case was captioned Raymond Gold v. Met-Pro Corporation, et al., filed July 8, 2013, and alleged, among other things, that the Met-Pro board of directors breached its fiduciary duties to Met-Pro and its shareholders in approving the merger agreement at an unfair price, unduly restricting other potential bidders from making competing offers, failing to consult with other bidders to create a competitive bid process, and unduly limiting the board's ability to consider and potentially accept an alternative proposal. The action sought an award of unspecified money damages. Met-Pro and the Company believe that these claims were without merit; however, in order to avoid the risk of delaying the consummation of the acquisition and to avoid the costs, disruption and distraction of further litigation, on July 20, 2013, Met-Pro entered into a memorandum of understanding (the "MOU") with the plaintiff to settle the foregoing action without admitting any liability or wrongdoing. As part of the MOU, Met-Pro made certain additional disclosures related to the acquisition. On February 25, 2014, the parties entered into a stipulation of settlement, as contemplated by the MOU, which provides, among other things, for the conditional certification of a non-opt out class, for settlement purposes only, that includes any and all persons or entities who held shares of Met-Pro common stock, either of record or beneficially, at any time between April 22, 2013, the date Met-Pro announced the merger agreement, and August 27, 2013, the date of the consummation of the acquisition. The stipulation of settlement also provided for the payment of up to $0.2 million for attorneys' fees and reimbursement of costs to the attorneys for the class. The settlement and the amount of attorneys' fees and costs were subject to court approval, which was obtained on June 10, 2014. Accordingly, this matter is now fully resolved without any remaining liability to the Company.

The Company is also a party to routine contract and employment-related litigation matters and routine audits of state and local tax returns arising in the ordinary course of its business.

The final outcome and impact of open matters, and related claims and investigations that may be brought in the future, are subject to many variables, and cannot be predicted. In accordance with ASC 450, "Contingencies," and related guidance, we record reserves for estimated losses relating to claims and lawsuits when available information indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. The Company expenses legal costs as they are incurred.

We are not aware of pending claims or assessments, other than as described above, which may have a material adverse impact on our liquidity, financial position, results of operations, or cash flows.

16. Acquisitions

On February 28, 2013, the Company acquired Aarding, pursuant to the terms of a Share Purchase Agreement, dated February 28, 2013, among the Company, CECO Environmental Netherland B.V., N.F.J.A. Pieterse Beheer B.V., W.M. Pranger Beheer B.V., and ATA Beheer B.V. Aarding is a global provider of natural gas turbine exhaust systems and silencer applications and is now part of our Energy Segment. The purchase price included cash of $24.4 million and 763,673 shares of restricted common stock. The fair value of the common stock issued was determined to be $6.8 million, which reflects the closing price of the Company's common stock on the closing date of the acquisition and a discount related to the sale and transfer restrictions on the shares. The cash paid was funded by the Company's cash reserves. Of the total consideration paid, €4.0 million ($5.5 million as of June 30, 2014) is contingent upon the future employment by the sellers and, therefore, has been classified as prepaid compensation by the Company. As of June 30, 2014 and December 31, 2013, the current portion of the prepaid compensation of $1.1 million is in "Prepaid expenses and other current assets," while the non-current portion of $2.9

million and $3.5 million, respectively, is in “Deferred charges and other assets” on the condensed consolidated balance sheets. For the three months ended June 30, 2014 and 2013, $0.3 million and $0.2 million, respectively, of compensation expense has been recorded in “Amortization and earn out expenses” on the condensed consolidated statements of income. For the six months ended June 30, 2014 and 2013, $0.5 million and $0.3 million, respectively, of compensation expense has been recorded in “Amortization and earn out expenses” on the condensed consolidated statements of income. Additionally, the former owners of Aarding are entitled to earn-out payments of up to €5.5 million ($7.5 million as of June 30, 2014) upon the attainment of specified financial targets through December 31, 2017. Such earn out payments are contingent upon the continued employment of the sellers. Accordingly, no value for the potential earn out consideration was allocated to the purchase price of Aarding as any such payments will be reported as future compensation expense by the Company. For each of the three months ended June 30, 2014 and 2013, $0.4 million of earn-out expense has been recorded in “Amortization and earn out expenses” on the condensed consolidated statements of income. For the six months ended June 30, 2014 and 2013, $0.8 million and $0.5 million, respectively, of earn-out expense has been recorded in “Amortization and earn out expenses” on the condensed consolidated statements of income. An accrual of $0.5 million and $1.3 million relating to the earn-out is included within “Accounts payable and accrued expenses” on the condensed consolidated balance sheets at June 30, 2014 and December 31, 2013, respectively.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of closing of the acquisition.

(Table only in thousands)	
Current assets	$15,062
Property and equipment	959
Goodwill	7,595
Intangible assets – finite life	13,477
Intangible assets – indefinite life	2,865
Total assets acquired	$39,958
Current liabilities assumed	(8,277)
Deferred income tax liability	(4,086)
Net assets acquired	$27,595

On August 27, 2013, the Company completed its acquisition of Met-Pro, pursuant to an Agreement and Plan of Merger, dated as of April 21, 2013, and amended as of August 5, 2013 (the “Merger Agreement”). Met-Pro’s shareholders had the option to elect to exchange each share of Met-Pro common stock for either (i) $13.75 in cash, without interest, or (ii) shares of the Company’s common stock valued at $13.75, based on the volume weighted average trading price of the Company’s common stock for the 15-trading day period ending on August 26, 2013, the last trading day before the closing of the merger, subject to a collar so that there was a maximum exchange ratio of 1.3520 shares of the Company’s common stock for each share of Met-Pro common stock and a minimum of 1.0000 share of the Company’s common stock for each share of Met-Pro common stock, subject to certain exceptions and with overall elections subject to proration.

Approximately 51.6% of the shares of Met-Pro common stock converted into the right to receive the $13.75 cash consideration, for an approximate total of $104.4 million The trading price of the Company’s common stock for the 15-day period was $12.6814. As a result, each of the remaining shares of Met-Pro common stock converted into the right to receive 1.0843 shares of Company common stock, or an approximate total of 7,726,235 shares of Company common stock in the aggregate.

In accordance with the proration and reallocation provisions of the Merger Agreement, because the $13.75 per share cash consideration was oversubscribed by Met-Pro shareholders prior to the election deadline, (a) each Met-Pro share for which a valid stock election was made or for which no valid cash or stock election was made was automatically cancelled and converted into the right to receive the stock consideration and (b) each Met-Pro shareholder of record that made a valid cash election received (i) the Cash Consideration for approximately 77.56% of such holder’s Met-Pro shares for which a valid cash election was made and (ii) the stock consideration for approximately 22.44% of such holder’s Met-Pro Shares for which a valid cash election was made. The value of stock recorded was $98.0 million.

In addition, holders of outstanding Met-Pro options and restricted stock units received an aggregate amount of cash equal to approximately $4.9 million as consideration for the cancellation of the options and restricted stock units held by them as of immediately prior to the merger.

The following table summarizes the approximate fair values of the assets acquired and liabilities assumed at the date of closing. The approximate fair values of the assets acquired and liabilities assumed, and the related tax balances, are based on preliminary estimates and assumptions. These preliminary estimates and assumptions could change significantly during the purchase price measurement period as we finalize the valuations of the assets acquired and liabilities assumed, and the related tax balances. Such changes could result in material variances between the Company’s future financial results and the amounts presented in the unaudited pro forma information, including variances in the estimated purchase price, fair values recorded and expenses associated with these items.

(Table only in thousands)	
Current assets	$ 68,766
Property and equipment	15,773
Other assets	1,375
Assets held for sale (a)	10,886
Goodwill	106,726
Intangible assets – finite life	35,810
Intangible assets – indefinite life	11,910
Total assets acquired	251,246
Current liabilities assumed	(13,638)
Deferred income tax liability	(28,958)
Long term liabilities assumed	(6,078)
Net assets acquired	$202,572

(a) The assets held for sale primarily consist of real property and are valued at the estimated proceeds less costs to sell. The Company has not recorded a gain or loss on the classification of the subject assets held for sale. The Company expects to complete the sale of the subject assets during 2014. During the six months ended June 30, 2014, the Company received proceeds of $6.6 million for the sale of assets held for sale. The balance of assets held for sale is $4.2 million as of June 30, 2014.

The following unaudited pro forma information represents the Company's results of operations as if the Met-Pro and Aarding acquisitions had occurred as of January 1, 2013:

(Table only in thousands, except per share data)	Three Months Ended June 30, 2013	Six Months Ended June 30, 2013
Net sales[1]	$ 67,729	$ 130,357
Net income	3,630	5,555
Earnings per share:		
Basic	$ 0.14	$ 0.22
Diluted	$ 0.14	$ 0.21

(1) Includes $1.3 million and $2.4 million in net sales from Met-Pro's subsidiary, Pristine Water Solutions, for the respective three- and six-month periods ended June 30, 2013.

The pro forma results have been prepared for informational purposes only and include adjustments to amortize acquired intangible assets with finite life, eliminate acquisition related expenses, eliminate intercompany transactions between the Company and Aarding, reflect foregone interest income on cash paid for the acquisitions and to record the income tax consequences of the pro forma adjustments. Shares used to calculate the basic and diluted earnings per share were adjusted to reflect the additional shares of common stock issued to fund a portion of the acquisition price. These pro forma results do not purport to be indicative of the results of operations that would have occurred had the purchases been made as of the beginning of the periods presented or of the results of operations that may occur in the future.

Acquisition and integration expenses on the condensed consolidated statements of income are related to acquisition activities, which include retention, legal, accounting, banking, and other expenses.

17. Business Segment Information

Effective January 1, 2014, the Company implemented an internal reorganization related to the integration of recent acquisitions, which resulted in three reportable segments, defined as follows:

Air Pollution Control Segment

Our Air Pollution Control Segment is comprised of Adwest Technologies, Inc., Duall Air and Odor Technologies, Busch International, Buell Energy Cyclones, Flex-Kleen Dust Collection Technologies, FKI, Kirk & Blum, and KB Duct. This segment provides the design and manufacture of product recovery and air pollution control technologies that enable our customers to meet compliance targets for toxic emissions, fumes, volatile organic compounds, process and industrial odors. These products and solutions include chemical and biological scrubbers, fabric filters and cartridge collectors, thermal and

catalytic oxidation systems, cyclones, separators, gas absorbers and industrial ventilation systems. This segment also provides component parts for industrial air systems and provides cost effective alternatives to traditional duct components, as well as custom metal engineered fabrication services. These products and services are applicable to a wide variety of industries.

Energy Segment

Our Energy Segment is comprised of Aarding Thermal Acoustics, Effox-Flextor and AVC Specialists, Inc. This segment provides the design and manufacture of technologies for flue gas and diverter dampers, non-metallic expansion joints, natural gas turbine exhaust systems, and silencer and precipitator applications, primarily for coal-fired and natural gas power plants, refining, oil production and petrochemical processing, as well as a variety of other industries.

Fluid Handling and Filtration Segment

Our Fluid Handling and Filtration Segment is comprised of Met-Pro Global Pump Solutions, Mefiag Filtration Solutions, Keystone Filtration Solutions, CECO Filters and Strobic Air Corporation. This segment provides the design and manufacture of technologies including high quality centrifugal pumps for corrosive, abrasive and high temperature liquids, filter products for air and liquid filtration, as well as product recovery equipment, and technologically advanced air movement and exhaust systems. These products are applicable to a wide variety of industries, particularly the aquarium/aquaculture, plating and metal finishing, food and beverage, chemical/petrochemical, wastewater treatment, desalination and pharmaceutical markets.

The accounting policies of the reporting segments are the same as those described in the summary of significant accounting policies. Interest income and expense are not included in the measure of segment profit reviewed by management. Income taxes are also not included in the measure of segment operating profit reviewed by management. The operating results of the segments are reviewed through to the "Income from operations" line on the condensed consolidated statements of income.

The financial segment information is presented in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Sales (less intra-, inter-segment sales)				
Air Pollution Control Segment	$32,939	$24,069	$ 59,687	$44,589
Energy Segment	16,835	18,996	32,116	31,019
Fluid Handling Filtration Segment	16,650	1,245	32,145	2,890
Corporate and Other[1]	217	123	(137)	296
Net sales	$66,641	$44,433	$123,811	$78,794

(1) Includes adjustment for revenue on intercompany jobs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Income from Operations				
Air Pollution Control Segment	$ 4,876	$ 3,839	$ 8,742	$ 7,150
Energy Segment	1,596	3,135	3,983	5,413
Fluid Handling Filtration Segment	3,069	259	5,740	441
Corporate and Other[2]	(2,221)	(3,689)	(4,956)	(6,152)
Eliminations	(132)	(237)	(829)	(207)
Net operating income	$ 7,188	$ 3,307	$12,680	$ 6,645

(2) Includes corporate compensation, professional services, information technology, acquisition and integration expenses, and other general and administrative corporate expenses.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Property and Equipment Additions				
Air Pollution Control Segment	$ 132	$ 42	$ 268	$ 94
Energy Segment	33	141	67	142
Fluid Handling Filtration Segment	119	—	333	—
Corporate and Other	12	—	43	—
Property and equipment additions	$ 296	$ 183	$ 711	$ 236

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Depreciation and Amortization				
Air Pollution Control Segment	$ 383	$ 243	$ 778	$ 498
Energy Segment	564	615	1,219	733
Fluid Handling Filtration Segment	1,637	8	3,325	16
Corporate and Other	35	33	67	66
Depreciation and Amortization	$ 2,619	$ 899	$5,389	$1,313

	June 30, 2014	December 31, 2013
Identifiable Assets		
Air Pollution Control Segment	$ 73,556	$ 74,556
Energy Segment	64,232	76,960
Fluid Handling Filtration Segment	178,446	185,646
Corporate and Other[3]	17,392	11,374
Identifiable Assets	**$333,626**	**$ 348,536**

[3] Corporate assets primarily consist of cash and income tax related assets.

	June 30, 2014	December 31, 2013
Goodwill		
Air Pollution Control Segment	$ 21,952	$ 21,690
Energy Segment	14,900	14,962
Fluid Handling Filtration Segment	97,149	95,568
Goodwill	**$134,001**	**$ 132,220**

Intra-segment and Inter-segment Revenues

The Company has multiple divisions that sell to each other within segments (intra-segment sales) and between segments (inter-segment sales) as indicated in the following tables:

	Three Months Ended June 30, 2014						
			Less Inter-Segment Sales				
	Total Sales	Intra-Segment Sales	APC	Energy	FHF	Corp and Other	Net Sales to Outside Customers
Net Sales							
Air Pollution Control Segment	$35,576	$(2,461)	$—	$ (15)	$(161)	$—	$ 32,939
Energy Segment	18,120	(1,284)	(1)	—	—	—	16,835
Fluid Handling Filtration Segment	17,095	(402)	(43)	—	—	—	16,650
Corporate and Other[4]	—	—	—	—	—	217	217
Net Sales	$70,791	$(4,147)	$ (44)	$ (15)	$(161)	$217	$ 66,641

	Three Months Ended June 30, 2013						
			Less Inter-Segment Sales				
	Total Sales	Intra-Segment Sales	APC	Energy	FHF	Corp and Other	Net Sales to Outside Customers
Net Sales							
Air Pollution Control Segment	$26,635	$(2,549)	$—	$ (12)	$ (5)	$—	$ 24,069
Energy Segment	19,667	(671)	—	—	—	—	18,996
Fluid Handling Filtration Segment	1,266	—	(21)	—	—	—	1,245
Corporate and Other[4]	—	—	—	—	—	123	123
Net Sales	$47,568	$(3,220)	$ (21)	$ (12)	$ (5)	$123	$ 44,433

	Six Months Ended June 30, 2014						
			Less Inter-Segment Sales				
	Total Sales	Intra-Segment Sales	APC	Energy	FHF	Corp and Other	Net Sales to Outside Customers
Net Sales							
Air Pollution Control Segment	$ 63,660	$(3,490)	$—	$(322)	$(161)	$ —	$ 59,687
Energy Segment	34,310	(2,193)	(1)	—	—	—	32,116
Fluid Handling Filtration Segment	32,935	(747)	(43)	—	—	—	32,145
Corporate and Other[4]	—	—	—	—	—	(137)	(137)
Net Sales	$130,905	$(6,430)	$ (44)	$(322)	$(161)	$(137)	$123,811

	Six Months Ended June 30, 2013						
			Less Inter-Segment Sales				
	Total Sales	Intra-Segment Sales	APC	Energy	FHF	Corp and Other	Net Sales to Outside Customers
Net Sales							
Air Pollution Control Segment	$48,721	$(3,705)	$—	$ (28)	$(399)	$—	$ 44,589
Energy Segment	31,721	(700)	(2)	—	—	—	31,019
Fluid Handling Filtration Segment	2,911	—	(21)	—	—	—	2,890
Corporate and Other[4]	—	—	—	—	—	296	296
Net Sales	$83,353	$(4,405)	$ (23)	$ (28)	$(399)	$296	$ 78,794

[4] Includes adjustment for revenue on intercompany jobs.

ITEM 2. Management Discussion and Analysis of Financial Condition and Results of Operations

The Company's condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2014 and 2013 reflect the consolidated operations of the Company and its subsidiaries.

We are a leading global environmental technology company focused on critical solutions in the energy, air pollution control, fluid handling and filtration segments. Through our well-known brands, including the "Effox-Flextor," "Kirk & Blum," "KB Duct," "Fisher-Klosterman," "FKI," "Buell," "AVC," "Busch International," "CECO Filters," "Adwest," "Aarding," "Duall," "Flex-Kleen," "Bio-Reaction," "Dean Pump," "Fybroc," "Sethco," "Mefiag Filtration," "Keystone Filter," and "Strobic Air" tradenames, we provide a wide spectrum of products and services including dampers & diverters, cyclonic technology, thermal oxidizers, filtration systems, scrubbers, exhaust systems, fluid handling equipment and plant engineered services and engineered design build fabrication. These products play a vital role in helping companies achieve exacting production standards, meeting increasing plant needs and stringent emissions control regulations around the globe. We globally serve the broadest range of markets and industries including power, municipalities, chemical, industrial manufacturing, refining, petrochemical, metals, minerals & mining, hospitals and universities. Therefore, our business is not concentrated in a single industry or customer. Demand for our products and services is created by increasingly strict U.S. Environmental Protection Agency mandated industry Maximum Achievable Control Technology standards and Occupational Safety and Health Administration established Threshold Limit Values, as well as existing pollution control and energy legislation—within the United States at the local, state and national levels, as well as the international equivalents.

We believe there will be an increase in the level of pollution control capital expenditures driven by an elevated focus on environmental issues such as global warming and energy saving alternatives, as well as a U.S. Government-supported effort to reduce our dependence on foreign oil through the use of bio-fuels like ethanol and electrical energy generated by our abundant domestic supply of natural gas and coal. We also feel that similar opportunities will continue to develop outside the United States. Much of our business is driven by various regulatory standards and guidelines governing air quality in and outside factories. We believe our Chinese operations are positioned to benefit from the tightening of air pollution standards by China's Ministry of Environmental Protection.

We continue to focus on increasing revenues and profitability globally while continuing to strengthen and expand our presence domestically. Our operating strategy has historically involved horizontally expanding our scope of technology, products, and services through selective acquisitions and the formation of new business units that are then vertically integrated into our growing group of turnkey system providers. Our continuing focus will be on global growth, market coverage, and specifically, expansion of our China and India operations. Operational excellence, margin expansion, after-market growth, and safety leadership are also critical to our growth strategy.

Operations Overview

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. The Company's division presidents and general managers are responsible for successfully running their operations, that is, sales, gross margins, manufacturing, pricing, purchasing, safety, employee development, and customer service excellence. The presidents work closely with our CEO on global growth strategies, operational excellence, and employee development. The headquarters (hub) focuses on enabling the core back-office key functions for scale and efficiency, that is, accounting, payroll, human resources/benefits, IT, safety support, audit controls, and administration. We have excellent organizational focus from headquarters throughout our divisional businesses with clarity and minimal duplicative work streams. We are structured for growth and will do future bolt-on acquisitions.

Our three operating segments are: the Air Pollution Control Segment ("APC"), the Energy Segment ("Energy"), and the Fluid Handling Filtration Segment ("FHF"). By combining the efforts of some or all of these groups, we are able to offer complete turnkey systems for our customers and leverage the operational efficiencies between our family of companies.

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. Our sales typically peak in the fourth quarter due to a tendency of customers to want to fully utilize annual capital budgets and due to the fact that many industrial facilities shut down for the holiday season, which creates demand for maintenance and renovation work that can be done at no other time.

Note Regarding Use of Non-GAAP Financial Measures

The Company's unaudited Condensed Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These GAAP financial statements include certain charges the Company believes are not indicative of its ongoing operational performance.

As a result, the Company provides financial information in this MD&A that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides this supplemental non-GAAP financial information because the Company's management utilizes it to evaluate its ongoing financial performance and the Company believes it provides greater transparency to investors as supplemental information to its GAAP results.

The Company has provided the non-GAAP financial measures of non-GAAP operating income and non-GAAP operating margin as a result of items that the Company believes are not indicative of its ongoing operations. These include charges associated with the Company's acquisition and integration of Aarding and Met-Pro and the items described below in "Consolidated Results." The Company believes that evaluation of its financial performance compared with prior and future periods can be enhanced by a presentation of results that exclude the impact of these items. As a result of the Company's acquisition of Aarding and Met-Pro, which closed on February 28, 2013 and August 27, 2013, respectively, the Company has incurred substantial charges associated with the acquisition and integration of these companies. See Note 16 to the unaudited condensed consolidated financial statements for further information on the Met-Pro and Aarding acquisitions.

Results of Operations

Consolidated Results

Our condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2014 and 2013 are as follows:

(dollars in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net sales	$ 66.6	$ 44.4	$ 123.8	$ 78.8
Cost of sales	45.2	30.1	82.6	53.3
Gross profit	$ 21.4	$ 14.3	$ 41.2	$ 25.5
Percent of sales	*32.1 %*	*32.2 %*	*33.3 %*	*32.4 %*
Selling and administrative expenses	$ 11.7	$ 8.1	$ 23.4	$ 14.7
Percent of sales	*17.6 %*	*18.2 %*	*18.9 %*	*18.7 %*
Acquisition and integration expenses	$ 0.2	$ 2.3	$ 0.2	$ 3.4
Percent of sales	*0.3 %*	*5.2 %*	*0.2 %*	*4.3 %*
Amortization and earn out expenses	$ 2.4	$ 0.6	$ 4.9	$ 0.8
Percent of sales	*3.6 %*	*1.4 %*	*4.0 %*	*1.0 %*
Operating income	$ 7.2	$ 3.3	$ 12.7	$ 6.6
Operating margin	*10.8 %*	*7.4 %*	*10.3 %*	*8.4 %*

To compare operating performance between the three-month and six-month periods ended June 30, 2014 and 2013, the Company has adjusted GAAP operating income to exclude expenses related to acquisition activities, which include retention, earn out arrangements, amortization, legal, accounting, banking and other expenses. See "Note Regarding Use of Non-GAAP Financial Measures" above. The following table presents the reconciliation of GAAP operating income and GAAP operating margin to non-GAAP operating income and non-GAAP operating margin:

(dollars in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Operating income as reported in accordance with GAAP	$ 7.2	$ 3.3	$ 12.7	$ 6.6
Operating margin in accordance with GAAP	*10.8 %*	*7.4 %*	*10.3 %*	*8.4 %*
Plant, property and equipment valuation adjustment	0.1	0.0	0.3	0.0
Acquisition and integration expenses	0.2	2.3	0.2	3.4
Amortization and earn out expenses	2.4	0.6	4.9	0.8
Non-GAAP operating income	$ 9.9	$ 6.2	$ 18.1	$ 10.8
Non-GAAP operating margin	*14.9 %*	*13.9 %*	*14.6 %*	*13.7 %*

Consolidated sales for the second quarter of 2014 increased $22.2 million, or 50.0%, to $66.6 million compared with $44.4 million in the second quarter of 2013. The increase is primarily attributable to Met-Pro, acquired in August 2013, which contributed $23.2 million in sales for the second quarter of 2014.

Consolidated sales for the first six months of 2014 increased $45.0 million, or 57.1%, to $123.8 million compared with $78.8 million in the first six months of 2013. The increase is primarily attributable to Met-Pro, which contributed $42.4 million in sales for the first six months of 2014.

Gross profit increased $7.1 million, or 49.7%, to $21.4 million in the second quarter of 2014 compared with $14.3 million in the same period of 2013. The increase is primarily attributable to Met-Pro which contributed $8.6 million in gross profit for the second quarter of 2014. Gross profit as a percentage of sales was 32.1% in the second quarter 2014 compared with 32.2% in the second quarter of 2013.

Gross profit increased $15.7 million, or 61.6%, to $41.2 million in the first six months of 2014 compared with $25.5 million in the first six months of 2013. Met-Pro contributed $15.9 million in gross profit for the first six months of 2014. Gross profit as a percentage of sales was 33.3% in the first six months of 2014 compared with 32.4% in the first six months of 2013.

Orders booked were $57.7 million during the second quarter of 2014 and $121.3 million for the first six months of 2014, as compared to $46.5 million during the second quarter of 2013 and $84.1 million in the first six months of 2013. The increases in 2014 periods were primarily due to the Met-Pro acquisition.

Selling and administrative expenses increased $3.6 million to $11.7 million for the second quarter of 2014 compared with $8.1 million for the second quarter of 2013. The increase is attributable to incremental selling and administrative expenses from Met-Pro.

Selling and administrative expenses increased $8.7 million to $23.4 million for the first six months of 2014 compared with $14.7 million for the first six months of 2013. The increase is primarily attributable to incremental selling and administrative expenses from Met-Pro and Aarding.

Acquisition and integration expenses were $0.2 million and $2.3 million during the second quarter of 2014 and 2013, respectively, and were $0.2 million and $3.4 million during the first six months of 2014 and 2013, respectively. Such expenses are related to the Aarding and Met-Pro transactions and include legal, accounting, banking and other expenses.

Amortization and earn out expense was $2.4 million for the second quarter of 2014 compared with $0.6 million for the second quarter of 2013. The increase was the result of our Met-Pro acquisition.

Amortization and earn out expense was $4.9 million for the first six months of 2014 compared with $0.8 million for the first six months of 2013. The increase was the result of our acquisitions of Met-Pro and Aarding.

Operating income increased $3.9 million to $7.2 million in the second quarter of 2014 compared with $3.3 million during the same quarter of 2013. The acquisition of Met-Pro in August 2013 contributed $4.2 million of operating income during the second quarter of 2014. On a non-GAAP basis as adjusted for the non-GAAP items discussed above, non-GAAP operating income was $9.9 million for the second quarter of 2014 compared with $6.2 million for the second quarter of 2013. The increase is primarily due to the acquisition of Met-Pro in August 2013. Non-GAAP operating income as a percentage of sales increased from 13.9% for the second quarter of 2013 to 14.9% for the second quarter of 2014.

Operating income increased $6.1 million to $12.7 million in the first six months of 2014 compared with $6.6 million during the same period of 2013. The acquisition of Met-Pro in August 2013 contributed $7.0 million of operating income during the first six months of 2014. On a non-GAAP basis as adjusted for the non-GAAP items discussed above, non-GAAP operating income was $18.1 million for the first six months of 2014 compared with $10.8 million for the same period of 2013. The increase is primarily due to the acquisition of Met-Pro in August 2013 partially offset by the reduction in the Energy segment. Non-GAAP operating income as a percentage of sales increased from 13.7% for the first six months of 2013 to 14.6% for the first six months of 2014. Improved gross margins, changes in product mix, and manufacturing improvements were the primary factors for this increase.

Interest expense increased to $0.7 million in the second quarter of 2014 from $0.2 million in the second quarter of 2013, and to $1.5 million for the first six months of 2014 from $0.3 million for the first six months of 2013. The increase is due to borrowings incurred in connection with the Met-Pro acquisition in August 2013.

Income tax expense was $1.8 million for the second quarter of 2014 compared with $0.1 million for the same quarter of 2013. The effective income tax rate for the second quarter of 2014 was 28.9% compared with 1.6% for the comparable period of 2013. Income tax expense was $3.5 million for the first six months of 2014 compared with $1.2 million for the same period of 2013. The effective income tax rate for the first six months of 2014 was 31.5% compared with 18.8% for the comparable period of 2013. Income tax expense for the second quarter of 2013 included a $1.4 million tax benefit, net of related uncertain tax position reserves, recognized for research and development income tax credits earned during 2009 through 2011 and reflected increases in the estimate of research and development income tax credits available for 2012 and 2013 resulting in a tax benefit of $0.6 million for the first six months of 2013. Our effective tax rate is also affected by certain permanent differences, including non-deductible incentive stock-based compensation and acquisition related expenses, certain income tax reserves/deferrals, impact of foreign rate differences and tax holidays from foreign operations.

Business Segments

The Company's operations are organized and reviewed by management along its product lines and presented in three reportable segments. The results of the segments are reviewed through to the "Income from operations" line on the unaudited condensed consolidated statements of income.

(dollars in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net Sales (less intra-, inter-segment sales)				
Air Pollution Control Segment	$ 32.9	$ 24.1	$ 59.7	$44.6
Energy Segment	16.8	19.0	32.1	31.0
Fluid Handling Filtration Segment	16.7	1.2	32.1	2.9
Corporate and Other[(a)]	0.2	0.1	(0.1)	0.3
Net sales	$ 66.6	$ 44.4	$123.8	$78.8

(a) Includes adjustment for revenue on intercompany jobs.

(dollars in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Income from Operations				
Air Pollution Control Segment	$ 4.9	$ 3.8	$ 8.7	$ 7.2
Energy Segment	1.6	3.1	4.0	5.4
Fluid Handling Filtration Segment	3.1	0.3	5.7	0.4
Corporate and Other[(b)]	(2.3)	(3.7)	(4.9)	(6.2)
Eliminations	(0.1)	(0.2)	(0.8)	(0.2)
Net operating income	$ 7.2	$ 3.3	$ 12.7	$ 6.6

(b) Includes corporate compensation, professional services, information technology, and other general and administrative corporate expenses.

Air Pollution Control Segment

Our APC Segment net sales increased $8.8 million to $32.9 million in the second quarter of 2014 compared with $24.1 million in the same quarter of 2013. This increase was primarily due to $8.0 million of net sales attributable to the Met-Pro acquisition combined with increases of $2.1 million for our Adwest business and $2.8 million for our China operations, partially offset by decreases of $3.1 million for our domestic FKI subsidiaries and $0.9 million for our Busch business.

Our APC Segment net sales increased $15.1 million to $59.7 million in the first six months of 2014 compared with $44.6 million in the same period of 2013. This increase was primarily due to $13.0 million of net sales attributable to the Met-Pro acquisition combined with increases of $4.0 million for our Adwest business and $3.7 million for our China operations, partially offset by decreases of $3.5 million for our domestic FKI business and $1.6 million for our Busch business.

Operating income from APC increased $1.1 million to $4.9 million in the second quarter of 2014 from $3.8 million in the same period of 2013. This increase was primarily due to the Met-Pro acquisition, which contributed $1.1 million in operating income combined with increases of $0.6 million for our Adwest business and $0.5 million for our China operations, partially offset by a $1.1 million decrease for our domestic FKI business.

Operating income from APC increased $1.5 million to $8.7 million in the first six months of 2014 from $7.2 million in the same period of 2013. This increase was primarily due to the Met-Pro acquisition which contributed $1.9 million in operating income combined with an increase of $1.4 million for our Adwest business, partially offset by a $1.5 million decrease for our domestic FKI business.

Energy Segment

Our Energy Segment net sales decreased $2.2 million to $16.8 million in the second quarter of 2014 compared with $19.0 million in the second quarter of 2013. The decrease was primarily the result of reductions of $1.2 million in Effox-Flextor revenues and $1.0 million in Aarding revenues.

Our Energy Segment net sales increased $1.1 million to $32.1 million in the first six months of 2014 compared with $31.0 million in the same period of 2013. The increase was primarily the result of a $2.2 million increase in Aarding revenues due to the acquisition in February 2013, partially offset by a $0.9 million reduction in Effox-Flextor revenues.

Operating income for the Energy Segment was $1.6 million in the second quarter of 2014 compared with $3.1 million in the second quarter of 2013. The reduction is primarily due to a $1.1 million decrease in Effox-Flextor operating income and a $0.2 decrease in Aarding operating income.

Operating income for the Energy Segment was $4.0 million in the first six months of 2014 compared with $5.4 million in the first six months of 2013. The reduction is primarily due to a $0.9 million decrease in Aarding operating income and a $0.2 million decrease in Effox-Flextor operating income.

Fluid Handling Filtration Segment

Our FHF Segment net sales increased $15.5 million to $16.7 million in the second quarter of 2014 compared with $1.2 million in the second quarter of 2013. FHF net sales increased $29.2 million to $32.1 million in the first six months of 2014 compared with $2.9 million in the first six months of 2013. The increases were due to the acquisition of Met-Pro in August 2013.

Operating income for FHF was $3.1 million in the second quarter of 2014 compared with $0.3 million in the first quarter of 2013. Operating income for FHF was $5.7 million in the first six months of 2014 compared with $0.4 million for the first six months of 2013. These increases were also due to the acquisition of Met-Pro in August 2013.

Backlog

Backlog is a representation of the amount of revenue expected from complete performance of firm fixed-price contracts that have not been completed for products and services we expect to substantially deliver within the next 12 month period. Our customers may have the right to cancel a given order, although historically cancellations have been rare. Our backlog as of June 30, 2014, was $96.0 million compared with $98.5 million as of December 31, 2013. Backlog is not defined by generally accepted accounting principles and our methodology for calculating backlog may not be consistent with methodologies used by other companies. 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 periods. 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 condensed consolidated financial statements within Item 1 of this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

Our principal sources of liquidity are cash flow from operations and available borrowings under our revolving credit facility. Our principal uses of cash are operating costs, payment of principal and interest on our outstanding debt, working capital and other corporate requirements, including acquisitions.

At June 30, 2014 and December 31, 2013, cash and cash equivalents totaled $17.8 million and $22.7 million, respectively. Cash balances may fluctuate from time to time due to collected funds not being immediately swept against the Credit Facility (as defined below) balance. As of June 30, 2014 and December 31, 2013, $11.0 million and $17.6 million, respectively, of our cash and cash equivalents were held by certain non-U.S. subsidiaries, as well as being denominated in foreign currencies.

On March 31, 2014, Aarding entered into a one-month foreign exchange forward contract to manage exposure to foreign currency fluctuations on a U.S. dollar-denominated transaction totaling $5.5 million. The contract expired prior to June 30, 2014 and there were no such outstanding contracts as of June 30, 2014.

Debt consisted of the following at June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013
Outstanding borrowings under Credit Facility. Term loan payable in quarterly principal installments of $1.2 million through September 2016, $1.5 million through September 2017, and $1.9 million thereafter with balance due upon maturity in August 2018		
- Term loan	$58,424	$ 63,781
- U.S. Dollar revolving loans	20,000	22,000
- Multi-currency revolving loans	—	—
- Unamortized debt discount	(1,713)	(1,918)
Total outstanding borrowings under Credit Facility	76,711	83,863
Outstanding borrowings under Canadian dollar-denominated Flextor Facility	—	—
Outstanding borrowings (U.S. dollar equivalent) under Aarding Facility	2,233	4,909
Outstanding borrowings (U.S. dollar equivalent) under Euro-denominated note payable to a bank, payable in quarterly installments of €25 ($34 as of June 30, 2014), plus interest, at a fixed rate of 3.82%, maturing January 2016. Collateralized by the Heerenveen, Netherlands building	239	310
Total outstanding borrowings	$79,183	$ 89,082
Less: current portion	7,013	9,922
Total debt, less current portion	$72,170	$ 79,160

On August 27, 2013, the Company entered into a credit agreement (the “Credit Agreement”) with various lenders (the “Lenders”) and letter of credit issuers (each, an “L/C Issuer”), and Bank of America, N.A., as Administrative Agent (the “Agent”), swing line lender and an L/C Issuer, providing for various senior secured credit facilities (collectively, the “Credit Facility”) comprised of a $65.0 million senior secured term loan, a $70.5 million senior secured U.S. dollar revolving credit facility for U.S. dollar revolving loans with sub-facilities for letters of credit and swing-line loans, and a $19.5 million senior secured multi-currency revolving credit facility for U.S. dollar and specific foreign currency loans. The Company has the option to obtain additional commitments for either the U.S. dollar revolving credit facility or the term loan facility in an aggregate principal amount not to exceed $30.0 million. As of June 30, 2014 and December 31, 2013, $0.8 million and $1.3 million of letters of credit were outstanding, respectively. Total unused credit availability under the Credit Facility was $69.2 million and $66.7 million at June 30, 2014 and December 31, 2013, respectively. Revolving loans may be borrowed, repaid and reborrowed until August 27, 2018, at which time all amounts borrowed pursuant to the Credit Facility must be repaid.

The Company has granted a security interest in substantially all of its assets to secure its obligations pursuant to the Credit Agreement. The Credit Agreement is guaranteed by the Company’s U.S. subsidiaries and such guaranty obligations are secured by a security interest on substantially all of the assets of such subsidiaries, including certain real property. The Credit Agreement may also be guaranteed by the Company’s material foreign subsidiaries to the extent no adverse tax consequences would result to the Company.

The Credit Agreement contains customary affirmative and negative covenants, including the requirement to maintain compliance with a consolidated leverage ratio of less than 2.75 and a consolidated fixed charge coverage ratio of more than 1.25. The Credit Agreement also includes customary events of default and the occurrence of an event of default could result in an increased interest rate equal to 2.0% above the applicable interest rate for loans, the acceleration of the Company's obligations pursuant to the Credit Agreement and an obligation of the subsidiary guarantors to repay the full amount of the Company's borrowings pursuant to the Credit Agreement.

As of June 30, 2014 and December 31, 2013, the Company was in compliance with all related financial and other restrictive covenants under our Credit Agreement.

Total unused credit availability under our existing Credit Agreement and other non-U.S. credit facilities and agreements, exclusive of any potential asset base limitations, is as follows:

($'s in millions)	June 30, 2014	December 31, 2013
Credit Agreement, U.S Dollar revolving loans	$ 70.5	$ 70.5
Draw down	(20.0)	(22.0)
Letters of credit open	(0.8)	(1.3)
Credit Agreement, Multi-currency revolving facilities	19.5	19.5
Netherlands facilities (€7.0 million, in U.S. Dollar equivalent)	9.6	9.5
Letters of credit open	(6.2)	(8.4)
Canadian credit agreement (Canadian Dollar 5.5 million, in U.S. Dollar equivalent)	5.0	5.1
Total unused credit availability	$ 77.6	$ 72.9

Overview of Cash Flows and Liquidity

($'s in thousands)	For the six months ended June 30, 2014	2013
Net cash provided by operating activities	$ 1,771	$ 8,115
Net cash provided by (used in) investing activities	6,413	(24,615)
Net cash used in financing activities	(13,057)	(1,428)
Net decrease in cash	$ (4,873)	$ (17,928)

For the six months ended June 30, 2014, $1.8 million of cash was provided by operating activities compared with $8.1 million provided by operating activities for the same period in 2013. Cash flows from increased profits primarily associated with the acquisition of Met-Pro in August 2013 were more than offset by $2.5 million in cash paid for legal settlements and earn out payments of €1.1 million ($1.5 million) during the first six months of 2014 and $7.4 million in reductions resulting from fluctuations in other working capital accounts during the first six months of 2014 compared to the same period in the prior year.

For the six months ended June 30, 2014, net cash provided by investing activities was $6.4 million compared with net cash used in investing activities of $24.6 million in the prior year period. Cash provided by investing activities was the result of proceeds from sales of property and equipment, including assets held for sale, totaling $7.1 million, partially offset by additions to property and equipment of $0.7 million. In the prior year period, the acquisition of Aarding used cash of $24.4 million.

For the six months ended June 30, 2014, financing activities used cash of $13.1 million compared with net cash used of $1.4 million in the prior year period. Debt repayments totaled $10.1 million during the first six months of 2014 and dividends paid were $2.8 million for the first six months of 2014 compared with $1.8 million for the same period in the prior year.

Our dividend policy and the payment of cash dividends under that policy are subject to the Board of Directors' continuing determination that the dividend policy and the declaration of dividends are in the best interest of the Company's stockholders. Future dividends and the dividend policy may be changed or cancelled at the Company's discretion at any time. Payment of dividends is also subject to the continuing consent of our lender under our Credit Facility.

When we undertake large jobs, our working capital objective is to make these projects self-funding. We work 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.

In connection with the Met-Pro acquisition, we took on significant additional debt to fund the transaction. We believe that cash flows from operating activities, together with our existing cash and borrowings available under our Credit Facility, will be sufficient for at least the next twelve months to fund our current anticipated uses of cash. After that, our ability to fund these expected uses of cash and to comply with the financial covenants under our debt agreements will depend on the results of future operations, performance and cash flow. Our ability to fund these expected uses from the results of future operations will be subject to prevailing economic conditions and to financial, business, regulatory, legislative and other factors, many of which are beyond our control.

Forward-Looking Statements

This Quarterly Report on 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 Quarterly Report on 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, 2013 and include, but are not limited to factors related to our business, including economic and financial market conditions generally and economic conditions in our service areas; dependence on fixed price contracts and the risks associated therewith, including actual costs exceeding estimates and method of accounting for contract revenue; fluctuations in operating results from period to period due to seasonality of the business; the effect of growth on our infrastructure, resources, and existing sales; the ability to expand operations in both new and existing markets; the potential for contract delay or cancellation; changes in or developments with respect to any litigation or investigation; the potential for fluctuations in prices for manufactured components and raw materials; the substantial amount of debt in connection with the Met-Pro acquisition and our ability to repay or refinance it or incur additional debt in the future; the impact of federal, state or local government regulations; economic and political conditions generally; and the effect of competition in the air pollution control and industrial ventilation industry. Many of these risks are beyond management’s ability to control or predict. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may vary in material aspects from those currently anticipated. Investors are 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. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the Securities and Exchange Commission, we undertake no obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks, primarily changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. For the Company, these exposures are primarily related to changes in interest rates. We do not currently hold any derivatives or other financial instruments purely for trading or speculative purposes.

The carrying value of the Company's long-term debt and current maturities of long-term debt was $79.2 million at June 30, 2014. Market risk was estimated as the potential decrease (increase) in future earnings and cash flows resulting from hypothetical 10% increase (decrease) in the Company's estimated weighted average borrowing rate at June 30, 2014. Most of the interest on the Company's debt is indexed to either the LIBOR or EURIBOR market rates. The estimated impact of a hypothetical 10% change in the estimated weighted average borrowing rate at June 30, 2014 is $0.2 million on an annual basis.

The Company has wholly-owned subsidiaries located in the Netherlands, Canada, the People's Republic of China and Chile. In the past, we have not hedged our foreign currency exposure, and fluctuations in exchange rates have not materially affected our operating results. Future changes in exchange rates may positively or negatively impact our revenues, operating expenses and earnings. On March 31, 2014, Aarding entered into a one-month foreign exchange forward contract to manage exposure to foreign currency fluctuations on a U.S. dollar-denominated transaction totaling $5.5 million. The contract expired prior to June 30, 2014 and there are no such contracts outstanding as of June 30, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act") that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, were effective as of June 30, 2014**.**

Changes in Internal Control Over Financial Reporting

During the three months ended June 30, 2014, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information with respect to legal proceedings can be found in Note 15 “Commitments and Contingencies – Legal Matters” to the Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A.RISK FACTORS

There have been no material changes in the Company’s risk factors that were disclosed in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

10.1	Amended and Restated CECO Environmental Corp. 2007 Equity Incentive Plan
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)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

CECO Environmental Corp.

By: /s/ Edward J. Prajzner

Edward J. Prajzner
Chief Financial Officer and Secretary

Date: August 7, 2014

Exhibit 10.1

AMENDED AND RESTATED
CECO ENVIRONMENTAL CORP.
2007 EQUITY INCENTIVE PLAN

1. PURPOSE.

The purpose of the CECO Environmental Corp. 2007 Equity Incentive Plan (the "Plan") is to advance the interests of CECO Environmental Corp. (the "Company") and its stockholders by providing Directors, Consultants and those key employees of the Company and its Subsidiaries and Affiliates, upon whose judgment, initiative and efforts the successful conduct of the business of the Company and its Subsidiaries and Affiliates largely depends, with additional incentive to perform in a superior manner. A purpose of the Plan also is to attract and retain personnel of sufficient experience and ability to the service of the Company and its Subsidiaries and Affiliates, and to reward such individuals for achievement of corporate and individual performance goals.

2. DEFINITIONS.

(a) "Affiliate" means an affiliate as that term is defined in Rule 12b-2 of the General Rules and Regulations of the Exchange Act.

(b) "Award" means a Stock Grant or a grant of Non-statutory Stock Options, Incentive Stock Options or Restricted Stock Units pursuant to the provisions of this Plan.

(c) "Board of Directors" or "Board" means the board of directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Change in Control" of the Company shall have occurred when (i) any "person", as the term is used in Section 3 of the Exchange Act (other than a Company employee benefit plan) is or becomes the "beneficial owner" as defined in Rule 16a-1 under the Exchange Act, directly or indirectly, of securities of the Company representing 50% or more of the Company's outstanding securities ordinarily having the right to vote in the election of directors; (ii) individuals who constitute the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board shall be for purposes of this clause (ii) considered as though he or she were a member of the Incumbent Board; (iii) consummation of a plan of reorganization, merger, or consolidation, in which the stockholders of the Company own less than 50% of the outstanding voting securities of the surviving entity; or (iv) a sale of substantially all of the Company's assets, a liquidation or dissolution of the Company or a similar transaction.

(f) "Committee" means the Compensation Committee of the Board, consisting of two or more Directors appointed by the Board pursuant to Section 3 hereof who are "non-employee directors," as defined in Rule 16b-3 promulgated by the SEC under the Exchange Act and "outside directors" as defined in Treas. Reg. 1.162-27 promulgated under the Code, and if there is no Compensation Committee fitting such requirements, the Committee shall be the Board of Directors of the Company.

(g) “Common Stock” means the Common Stock of the Company, $.01 par value per share.

(h) “Consultant” means an individual, corporation, partnership, limited liability company or other entity providing services to the Company, its Subsidiaries or Affiliates in an independent contractor capacity.

(i) “Covered Employee” means a Participant who is a “covered employee” within the meaning of Section 162(m) of the Code.

(j) “Date of Grant” means the date an Award is effective pursuant to the terms hereof.

(k) “Director” means a Director of the Company or a Subsidiary or Affiliate of the Company who is not also an Employee.

(l) “Disability” means disability as defined in Code Section 409A.

(m) “Employee” means any person who is employed by the Company or a Subsidiary or Affiliate of the Company on a full-time or part-time basis.

(n) “Exchange Act” means the Securities Exchange Act of 1934, as amended.

(o) “Fair Market Value” shall mean, as of any date, (i) the closing price of the Common Stock on the principal national stock exchange on which the shares are listed on such date or, if shares were not traded on such date, then on the next preceding trading day during which a sale occurred; or (ii) if such stock is not listed on an exchange but is quoted on NASDAQ or a successor quotation system, (1) the last sales price (if the stock is then listed as a National Market Issue under the NASD National Market System) or (2) the mean between the closing representative bid and asked prices (in all other cases) for the stock on such date as reported by NASDAQ or such successor quotation system; or (iii) if such stock is not listed on an exchange and not quoted on NASDAQ or a successor quotation system, the mean between the closing bid and asked prices for the stock on such date as quoted on the OTC Bulletin Board or such other market as the Board deems appropriate to use; or (iv) if the Common Stock is not publicly traded, the fair market value established by the Committee acting in good faith applying a consistent methodology for all Awards, provided such fair market value meets the definition of fair market value for purposes of Code Section 409A.

(p) “Incentive Stock Option” means an Option granted by the Committee to a Participant, which Option is designated as an Incentive Stock Option pursuant to Section 9 of this Plan.

(q) “Investor Relations Activities” means any activities, by or on behalf of the Company that promotes or reasonably could be expected to promote the purchase or sale of securities of the Company, but does not include:

(a) the dissemination of information provided, or records prepared, in the ordinary course of business of the Company;

(i) to promote the sale of products or services of the Company, or;

(ii) to raise public awareness of the Company,

that cannot reasonably, be considered to promote the purchase or sale of securities of the Company;

(b) activities or communications necessary to comply with the requirements of,

(i) any applicable Securities Laws;

(ii) any requirements of any national or foreign securities exchange or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Company;

(c) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if,

(i) the communication is only through the newspaper, magazine or publication, and

(ii) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(d) activities or communications that may be otherwise specified by any national or foreign securities exchange.

(r) “Non-statutory Stock Option” means an Option granted to a Participant and which is not an Incentive Stock Option.

(s) “Option” means an Award granted under Section 8 or Section 9 of this Plan.

(t) “Participant” means an Employee of the Company or a Subsidiary or Affiliate chosen by the Committee to participate in the Plan, a Director of the Company or a Subsidiary or Affiliate of the Company chosen by the Committee to participate in the Plan or a Consultant to the Company or a Subsidiary or Affiliate of the Company chosen by the Committee to participate in the Plan.

(u) “Regulatory Authorities” means all national and foreign securities exchanges, facilities on which the Company’s securities are listed or quoted, all federal, state and foreign securities commissions or similar securities regulatory bodies having jurisdiction over the Company and all self-regulatory organizations that have jurisdiction over the Company.

(v) “Restricted Stock Unit” means an award granted under Section 9A of this Plan.

(w) “SEC” means the U.S. Securities and Exchange Commission.

(x) “Securities Laws” means securities legislation, securities laws, securities regulations and securities rules, as amended, and the securities related policies, notices, instruments and orders in force from time to time that govern or are applicable to the Company.

(y) “Stock Grant” means a grant of shares of Common Stock accompanied by such restrictions as may be determined by the Committee under Section 7 of this Plan.

(z) “Subsidiary” means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(aa) “Termination for Misconduct” means the termination of a Participant for gross negligence, commission of a felony or material violation of any established Company policies.

3. ADMINISTRATION.

3.1 General. The Plan shall be administered by the Committee. The members of the Committee shall be appointed by the Board. The Committee shall act by vote of a majority of its members or unanimous written consent. The Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan and to make whatever determinations and interpretations in connection with the Plan it deems necessary or advisable with respect to Participants. Subject to the limitations of the Plan and the ultimate authority of the Board, the Committee shall have the sole and complete authority to: (i) select Participants, (ii) grant Options, Stock Grants or Restricted Stock Units to Participants in such forms and amounts as it shall determine, (iii) impose such limitations, restrictions and conditions upon such Options, Stock Grants or Restricted Stock Units as it shall deem appropriate, (iv) interpret the Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to the Plan, (v) correct any defect or omission or reconcile any inconsistency in the Plan or in any Option, Stock Grant or Restricted Stock Unit granted hereunder and (vi) make all other determinations and take all other actions necessary or advisable for the implementation and administration of the Plan. All determinations and interpretations made by the Committee shall be binding and conclusive on such Participants and on their legal representatives and beneficiaries. In determining the number of shares of Common Stock to which Options, Stock Grants or Restricted Stock Units relate, fractional shares will be rounded up to the nearest whole number if the fraction is 0.5 or higher, and down if it less.

3.2 Limitation on Liability. No member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan, any rule, regulation or procedure adopted by it pursuant thereto or any Awards granted under it. If a member of the Committee is a party or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of anything

done or not done by him or her in such capacity under or with respect to the Plan, the Company shall indemnify such member against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he or she acted in good faith and in a manner reasonably believed to be in the best interests of the Company, and its Subsidiaries and Affiliates and, with respect to any criminal proceeding, had no reasonable cause to believe his conduct was unlawful.

4. **TYPES OF AWARDS.**

Awards under the Plan may be granted in any one or a combination of:

(a) Stock Grants;

(b) Non-statutory Stock Options;

(c) Incentive Stock Options; and

(d) Restricted Stock Units

as defined in Sections 7, 8, 9 and 9A of the Plan.

The Committee shall, in its discretion, determine from time to time which Participants will be granted Awards under the Plan, the number of shares of Common Stock subject to each Award, the restrictions, if any, which will be applicable to each Stock Grant or Restricted Stock Unit, whether each Option will be an Incentive Stock Option or a Non-statutory Stock Option (except that Incentive Stock Options may not be awarded to Consultants or Directors), and the exercise price of an Option. In making all such determinations, the Committee shall take into account the duties, responsibilities and performance of each respective Participant, his or her present and potential contributions to the growth and success of the Company, his or her compensation and such other factors as the Committee shall deem relevant to accomplishing the purposes of the Plan; provided that the total aggregate maximum number of shares of Common Stock for which Options, in the aggregate, may be granted to any Covered Employee during any period of twelve consecutive months shall not exceed 800,000 shares and the total aggregate maximum number of shares issued as Stock Grants and Restricted Stock Units that may be granted to any Covered Employee during any period of twelve consecutive months shall not exceed 750,000 shares.

No Participant shall have any voting or dividend rights or other rights of a stockholder in respect of any shares of Common Stock covered by an Option or Restricted Stock Unit prior to the time the shares have been issued to the Participant.

5. **STOCK SUBJECT TO THE PLAN.**

Subject to adjustment as provided in Section 15, the maximum number of shares of Common Stock reserved for Stock Grants and Restricted Stock Units and for purchase pursuant to the exercise of Options granted under the Plan (all of which may be issued pursuant to the exercise of Incentive Stock Options) is two million six hundred thousand (2,600,000) shares of Common Stock.

The shares of Common Stock to be subject to the Plan may be either authorized but unissued shares or shares previously issued and reacquired by the Company. To the extent that the Plan provides for the issuance of stock certificates with respect to Common Stock, the Company may, in lieu thereof, record the shares on a book entry account maintained by the Company's transfer agent. To the extent that Options or Restricted Stock Units are granted and Stock Grants are made under the Plan, the shares underlying such Options, Restricted Stock Units and Stock Grants will be unavailable for future grants under the Plan except that, to the extent that the Options, Restricted Stock Units and Stock Grants granted under the Plan terminate, expire, are canceled or are forfeited without having been exercised, new Awards may be made with respect to such shares.

6. ELIGIBILITY.

Officers and other Employees (including Employees who also are Directors of the Company or its Subsidiaries or Affiliates) shall be eligible to receive Stock Grants, Restricted Stock Units, Incentive Stock Options and Non-statutory Stock Options under the Plan. Directors and Consultants shall be eligible to receive Stock Grants, Restricted Stock Units and Non-statutory Stock Options under the Plan.

7. STOCK GRANTS.

7.1 General Terms. Each Stock Grant may be accompanied by such restrictions, or may be made without any restrictions, as may be determined in the discretion of the Committee. Such restrictions may include, without limitation, requirements that the Participant remain in the continuous employment of the Company or its Subsidiaries or Affiliates for a specified period of time, or that the Participant meet designated individual performance goals, or that the Company and/or one or more of its Subsidiaries or Affiliates meet designated performance goals.

7.2 Issuance Procedures. A stock certificate representing the number of shares of Common Stock covered by a Stock Grant shall be registered in the Participant's name and may be held by the Participant; provided however, if a Stock Grant is subject to certain restrictions, the shares of Common Stock covered by such Stock Grant shall be registered in the Participant's name and held in custody by the Company. Unless the Committee determines otherwise, a Participant who has been awarded a Stock Grant shall have the rights and privileges of a stockholder of the Company as to the shares of Common Stock covered by a Stock Grant, including the right to receive dividends and the right to vote such shares. None of the shares of Common Stock covered by the Stock Grant may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of prior to the expiration or satisfaction of any applicable restrictions or performance requirements. All of the shares of Common Stock covered by a Stock Grant shall be forfeited and all rights of a Participant who has been awarded such Stock Grant to such shares shall terminate without further obligation on the part of the Company in the event that any applicable restrictions or performance requirements do not expire or are not satisfied. Upon forfeiture of shares of Common Stock, such shares shall be transferred to the Company

without further action by the Participant. Upon the expiration or satisfaction of any applicable restrictions, whether in the ordinary course or under circumstances set forth in Section 7.3, certificates evidencing shares of Common Stock subject to the related Stock Grant shall be delivered to the Participant, or the Participant's beneficiary or estate, as the case may be, free of all such restrictions.

7.3 Accelerated Vesting.

(a) Termination of Service. If a Participant terminates service prior to vesting in any Stock Grant, all outstanding unvested Stock Grants shall be forfeited by such Participant; provided, however, that vesting may be accelerated in the sole discretion of the Committee.

(b) Change in Control. The vesting of all or part of an outstanding Stock Grant may be accelerated, in the sole discretion of the Board, in the event there is a Change in Control of the Company.

8. NON-STATUTORY STOCK OPTIONS.

8.1 Grant of Non-statutory Stock Options.

(a) Grants to Employees, Consultants and Directors. The Committee may, from time to time, grant Non-statutory Stock Options to Participants.

(b) Terms of Non-Statutory Options. Non-statutory Stock Options granted under this Plan are subject to the following terms and conditions:

(i) Price. The purchase price per share of Common Stock deliverable upon the exercise of each Non-statutory Stock Option shall be determined on the date the option is granted. Such purchase price shall be the Fair Market Value of the Company's Common Stock on the Date of Grant or such greater amount as determined by the Committee; provided, however, that the purchase price of a Non-statutory Stock Option granted under this Plan may be less than the Fair Market Value of the Common Stock on the date of Grant if the Grant: (i) involves the substitution of a Non-statutory Stock Option under this Plan for an outstanding option under another plan pursuant to a corporate transaction; (ii) the requirements of Treas. Reg. 1.424-1 would be met if the Non-statutory Stock Option was an Incentive Stock Option; and (iii) the ratio of the exercise price from the fair market value of the shares subject to the new Non-statutory Stock Option immediately after the substitution is not greater than the ratio of the exercise price to the fair market value of the shares subject to the old Non-statutory Stock Option immediately before the substitution. Shares may be purchased only upon full payment of the purchase price, provided, however, that, if authorized by the Committee, a Participant may exercise an Option through a cashless exercise as permitted by Federal Reserve Board Regulation T and the Company shall make reasonable efforts to facilitate such exercise.

(ii) Terms of Options. The term during which each Non-statutory Stock Option may be exercised shall be ten years from the Date of Grant, or such shorter period determined by the Committee. The Committee shall determine the date on which each Non-statutory Stock

Option shall become vested and may provide that a Non-statutory Stock Option shall become vested in installments. The shares comprising each installment may be purchased in whole or in part at any time after such installment becomes vested. The Committee may, in its sole discretion, accelerate the time at which any Non-statutory Stock Option becomes vested in whole or in part.

(iii) Termination of Service. Upon the termination of a Participant's service as an Employee, Director or a Consultant for any reason other than death or Disability, Termination for Misconduct, or by order of any Regulatory Authority, the Participant's Non-statutory Stock Options shall be exercisable only as to those shares which were vested at the date of termination and only for a period of 90 days following termination unless otherwise determined by the Committee in its sole discretion. Notwithstanding the foregoing, if the Participant is engaged to provide Investor Relations Activities, and such Participant ceases to be so engaged for any reason other than death or Disability, Termination for Misconduct or by order of any Regulatory Authority, such Participant's vested Non-Statutory Stock Options shall be exercisable for a period of 30 days following termination unless the Committee in its sole discretion determines otherwise.

In the event of termination for death or Disability, the Participant's Non-statutory Stock Options shall be exercisable only as to those shares which were vested at the date of termination and only for a period of twelve months following termination unless otherwise determined by the Committee in its sole discretion.

In the event of Termination for Misconduct or by order of a Regulatory Authority, all rights under the Participant's Non-statutory Stock Options shall expire upon termination of employment.

The vesting of all or a part of a Grant of Non-statutory Stock Options may be accelerated, in the sole discretion of the Board, in the event there is a Change in Control of the Company.

9. INCENTIVE STOCK OPTIONS.

9.1 Grant of Incentive Stock Options.

The Committee may, from time to time, grant Incentive Stock Options to Employees. Incentive Stock Options granted pursuant to the Plan shall be subject to the following terms and conditions:

(a) Price. The purchase price per share of Common Stock deliverable upon the exercise of each Incentive Stock Option shall be not less than 100% of the Fair Market Value of the Company's Common Stock on the Date of Grant; provided, however, that the purchase price of an Incentive Stock Option granted under this Plan may be less than the Fair Market Value of the Common Stock on the Date of Grant if the Grant: (i) involves the substitution of an Incentive Stock Option for an outstanding incentive stock option under another plan pursuant to a corporate transaction; and (ii) the requirements of Treas. Reg. 1.424-1 are met with respect to the substitution. However, if a Participant owns Common Stock representing more than 10% of the total combined voting power of all classes of Common Stock of the Company (or under Section

425(d) of the Code is deemed to own Common Stock representing more than 10% of the total combined voting power of all such classes of Common Stock), the purchase price per share of Common Stock deliverable upon the exercise of each Incentive Stock Option shall not be less than 110% of the Fair Market Value of the Company's Common Stock on the Date of Grant. Shares may only be purchased on full payment of the purchase price, provided, however, that, if authorized by the Committee, a Participant may exercise an Option through a cashless exercise as permitted by Federal Reserve Board Regulation T and the Company shall use reasonable efforts to facilitate such exercise.

(b) Amounts of Options. Incentive Stock Options may be granted to any Employee in such amounts as determined by the Committee. In the case of an option intended to qualify as an Incentive Stock Option, the aggregate Fair Market Value (determined as of the time the option is granted) of the Common Stock with respect to which Incentive Stock Options granted are exercisable for the first time by the Participant during any calendar year (under all plans of the Participant's employer corporation and its parent and subsidiary corporations) shall not exceed $100,000. The provisions of this Section 9.1(b) shall be construed and applied in accordance with Section 422(d) of the Code and the regulations, if any, promulgated thereunder. To the extent an award under this Section 9.1 exceeds this $100,000 limit, the portion of the award in excess of such limit shall be deemed a Non-statutory Stock Option.

(c) Terms of Options. The term during which each Incentive Stock Option may be exercised shall be determined by the Committee, but in no event shall an Incentive Stock Option be exercisable in whole or in part more than ten years from the Date of Grant. If at the time an Incentive Stock Option is granted to an Employee, the Employee owns Common Stock representing more than 10% of the total combined voting power of the Company (or, under Section 425(d) of the Code, is deemed to own Common Stock representing more than 10% of the total combined voting power of all such classes of Common Stock), the Incentive Stock Option granted to such Employee shall not be exercisable after the expiration of five years from the Date of Grant.

No Incentive Stock Option granted under this Plan is transferable except by will or the laws of descent and distribution and is exercisable in his lifetime only by the Employee to whom it is granted. After death an Incentive Stock Option may be exercised by the beneficiary described in Section 14 below.

The Committee shall determine the date on which each Incentive Stock Option shall become vested and may provide that an Incentive Stock Option shall become vested in installments. The shares comprising each installment may be purchased in whole or in part at any time after such installment becomes vested, provided that the amount able to be first exercised in a given year is consistent with the terms of Section 422 of the Code.

The Committee may, in its sole discretion, accelerate the time at which any Incentive Stock Option becomes vested in whole or in part, provided that it is consistent with the terms of Section 422 of the Code.

(d) Termination of Service. Upon the termination of a Participant's service for any reason other than death or Disability, Termination for Misconduct, or by order of a Regulatory Authority, the Incentive Stock Options shall be exercisable only as to those shares which were vested at the date of termination and only for a period of 90 days following termination (unless otherwise determined by the Committee in its sole discretion).

In the event of termination for death or Disability, the Participant's Incentive Stock Options shall be exercisable only as to those shares which were vested at the date of termination and only for a period of twelve months following termination unless otherwise determined by the Committee in its sole discretion.

In the event of Termination for Misconduct or by order of a Regulatory Authority, all rights under the Participant's Incentive Stock Options shall expire upon termination of employment.

The vesting of all or a part of a Grant of Incentive Stock Options may be accelerated, in the sole discretion of the Board, in the event there is a Change in Control of the Company.

(e) Compliance with Code. The options granted under this Section 9 of the Plan are intended to qualify as incentive stock options within the meaning of Section 422 of the Code, but the Company makes no warranty as to the qualification of any option as an incentive stock option within the meaning of Section 422 of the Code.

9A. RESTRICTED STOCK UNITS.

9A.1 Grant of Restricted Stock Units. The Committee may, from time to time and upon such terms and conditions as it may determine, grant Restricted Stock Units to Participants.

9A.2 General Terms. Each Restricted Stock Unit grant will constitute the agreement by the Company to deliver Common Stock or cash to the Participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the period of time that the Restricted Stock Units are subject to restrictions as the Committee may specify. Such restrictions may include, without limitation, requirements that the Participant remain in the continuous employment of the Company or its Subsidiaries or Affiliates for a specified period of time, or that the Participant meet designated individual performance goals, or that the Company and/or one or more of its Subsidiaries or Affiliates meet designated performance goals. Each Restricted Stock Unit grant may be made without additional consideration or in consideration of a payment by such Participant in an amount specified by the Committee.

9A.3 Accelerated Vesting.

(a) Termination of Service. If a Participant terminates service prior to vesting in any Restricted Stock Unit, all outstanding unvested Restricted Stock Units shall be forfeited by such Participant; provided, however, that vesting may be accelerated in the sole discretion of the Committee.

(b) Change in Control. The vesting of all or part of an outstanding Restricted Stock Unit award may be accelerated in the sole discretion of the Board, in the event there is a Change in Control of the Company.

10. RIGHTS OF A STOCKHOLDER; NO TRANSFERABILITY.

No Participant shall have any rights as a stockholder with respect to any shares covered by a Non-statutory and/or Incentive Stock Option or a Restricted Stock Unit until the date of issuance of such shares. Nothing in this Plan or in any Award granted confers on any person any right to continue in the employ of the Company or its Affiliates or to continue as a Director of the Company or its Affiliates or to continue as a Consultant to the Company or its Affiliates or interferes in any way with the right of the Company or its Affiliates to terminate a Participant's services as an officer, Employee, Consultant or Director at any time.

No Option or other Award granted under this Plan is transferable except by will or the laws of descent and distribution and is exercisable in his or her lifetime only by the Participant to whom it is granted. No Option or other Award (or interest or right therein) may be subject to pledge, encumbrance, assignment, levy, attachment or garnishment.

11. AGREEMENT WITH GRANTEES.

Each Award of Options will be evidenced by a written agreement, executed by the Participant and the Company or its Subsidiaries or Affiliates which describes the conditions for receiving the Options including the date of Option Award, the purchase price if any, applicable periods, and any other terms and conditions as may be required by applicable securities law.

The proper officers of the Company shall advise each Participant who is awarded a Stock Grant or a Restricted Stock Unit, in writing, of the number of shares to which it pertains and the terms and conditions and any restrictions or performance requirements applicable to such Stock Grant or Restricted Stock Unit; provided they are not inconsistent with the terms, conditions and provisions of the Plan.

12. RESTRICTIONS ON SHARES.

The Committee may require before any shares of Common Stock are issued pursuant to this Plan, that the Participant agrees to subject the shares to such holding periods and restrictions as are determined by the Committee.

13. DESIGNATION OF BENEFICIARY.

A Participant may, with the consent of the Committee, designate a person or persons to receive, in the event of death, any Award to which the Participant would then be entitled. Such designation will be made upon forms supplied by and delivered to the Company and may be revoked in writing. If a Participant fails effectively to designate a beneficiary, then the Participant's estate will be deemed to be the beneficiary.

14. ADJUSTMENTS.

In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares, or other similar corporate change, or other increase or decrease in such shares without receipt or payment of consideration by the Company, the Committee will make such adjustments to previously granted Awards, to prevent dilution or enlargement of the rights of the Participant, including any or all of the following:

(a) adjustments in the aggregate number or kind of shares of Common Stock which may be awarded under the Plan;

(b) adjustments in the aggregate number or kind of shares of Common Stock covered by Awards already made under the Plan;

(c) adjustments in the purchase price of outstanding Stock Grants, Restricted Stock Units and Incentive and/or Non-statutory Stock Options.

No such adjustments may, however, materially change the value of benefits available to a Participant under a previously granted Award.

15. WITHHOLDING/GOVERNMENTAL AUTHORITY.

There may be deducted from each distribution of cash and/or Common Stock under the Plan the amount of tax required by any governmental authority to be withheld or paid. The Company may also require a Participant to take, or the Company may take, any other action as may be required by a governmental authority in connection with any distribution under the Plan and the Company may refrain from making any distributions until such action is taken.

16. REGISTRATION OF PLAN ON FORM S-8.

The Company may register the Plan on a Form S-8 and in such event, will take such additional action as is necessary in connection with such registration. The Company may in its sole discretion, however, elect to not register the Plan or to terminate such registration.

17. TERMINATION AND AMENDMENT OF THE PLAN.

The Board may at any time, and from time to time, suspend, terminate, modify or amend the Plan in any respect. Specifically, and without limiting the foregoing, the Board is hereby authorized to and may, it its discretion and without stockholder approval: (i) amend the provisions relating to Options held by one or more persons and issued under the Plan to permit adjustment of the exercise price of those Options, or (ii) cancel existing Options held by one or more persons, with the consent of the Participant holding such Options, in exchange for new Options, in such number and at such exercise price as determined by the Board (each event under (i) and (ii), a "repricing"); provided that any adjustment of the exercise price of an option or any amendment or exchange of an option shall not be effective if it would be deemed to result in the deferral of compensation with respect to a Participant under Code Section 409A.

The Board may determine that stockholder approval of any amendment to this Plan may be advisable for any reason, including but not limited to, for the purpose of obtaining or retaining any statutory or regulatory benefits under tax, securities or other laws or satisfying applicable stock exchange listing requirements.

Such suspension, termination, modification or amendment may not affect the rights of a Participant under an outstanding Award without the Participant's consent, except the Board may, in connection with a Change in Control, either: (i) replace the Awards granted under this Plan with substantially similar awards under another plan of another party to the Change in Control; (ii) make a payment to all Participants with respect to Options equal to the difference between the Fair Market Value of the Common Stock on the date of the Change in Control and the exercise price per share of an Option on the Date of Grant in either cash or such consideration as the holders of Common Stock of the Company are receiving in the Change in Control transaction; (iii) upon not less than 7 days written notice to all holders of Options, cause all Options to terminate immediately prior to the effective time of the Change in Control, and if the Board elects, accelerate the Vesting of any or all Options not then vested; or (iv) make a payment to all Participants with respect to Restricted Stock Units equal to the Fair Market Value of the Common Stock subject to such Restricted Stock Units on the date of the Change in Control in either cash or such other consideration as the holders of Common Stock of the Company are receiving in the Change in Control transaction. Options or Restricted Stock Units granted under another plan shall not be substantially similar unless the shares acquired through the exercise of such options or the settlement of such restricted stock units are readily tradable on an established securities market.

No Awards under the Plan shall be granted more than ten (10) years after the Effective Date of the Plan.

18. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as of the date that the Plan is approved by the directors of the Company (the "Effective Date"); provided that the Plan is approved by the Company's stockholders at the next annual meeting of stockholders of the Company and within one (1) year of the Effective Date. The Plan also shall be presented to stockholders of the Company for ratification for purposes of: (i) satisfying one of the requirements of Section 422 of the Code governing the tax treatment for Incentive Stock Options; and (ii) if applicable, establishing or maintaining listing on a stock exchange or system.

19. APPLICABLE LAW.

The Plan will be administered in accordance with the laws of the State of Delaware to the extent not preempted by Federal law as now or hereafter in effect.

20. COMPLIANCE WITH SECTION 16.

With respect to persons subject to Section 16 of the Exchange Act, transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Committee.

Exhibit 31.1

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.;
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 registrant as of, and for, the periods presented in this report;
4. The registrant'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 registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Jeffrey Lang
Jeffrey Lang
Chief Executive Officer
Date: August 7, 2014

Exhibit 31.2

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

I, Edward J. Prajzner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CECO Environmental Corp.;

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 registrant as of, and for, the periods presented in this report;

4. The registrant'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 registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Edward J. Prajzner
Edward J. Prajzner
Chief Financial Officer
Date: August 7, 2014

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CECO Environmental Corp. (the "Company") on Form 10-Q for the three-month period ended June 30, 2014 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, to the best of his knowledge and belief, 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 as of the dates and for the periods expressed in the Report.

/s/ Jeffrey Lang
Jeffrey Lang
Chief Executive Officer

Date: August 7, 2014

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of CECO Environmental Corp. (the "Company") on Form 10-Q for the three-month period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edward J. Prajzner, 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, to the best of his knowledge and belief, 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 as of the dates and for the periods expressed in the Report.

/s/ Edward J. Prajzner
Edward J. Prajzner
Chief Financial Officer
Date: August 7, 2014