

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-QSB

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

For Quarter Ended SEPTEMBER 30, 1995 Commission file number 0-7099  
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CECO ENVIRONMENTAL CORP.

NEW YORK

13-2566064

-----  
(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

111 ELIZABETH STREET, SUITE 600, TORONTO, ONTARIO, CANADA

MSG 1P7

-----  
(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

416-593-6543

-----  
Former name, former address and former fiscal year, if changed since last  
report.

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months and (2) has been subject to such filing  
requirements for the past 90 days.

X Yes No  
-----

Indicate the number of shares outstanding of each of the issuer's classes of  
common stock as of the close of the period covered by this report.

Class: COMMON, PAR VALUE \$.01 PER SHARE  
OUTSTANDING at September 30, 1995 - 6,778,428 shares

## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
SEPTEMBER 30, 1995

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## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET  
(unaudited)

	SEPTEMBER 30, 1995	DECEMBER 31, 1994
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 806,010	\$ 329,885
Accounts receivable	1,123,629	1,516,240
Inventories	453,588	405,008
Prepaid expenses and other current assets	65,786	51,124
Refundable income taxes	184,750	-
Deferred income taxes	7,769	7,769
	-----	-----
Total current assets	2,641,532	2,310,026
Property and equipment, net	2,032,042	2,138,117
Intangible assets, at cost, net	108,476	79,143
Goodwill	2,839,550	2,703,776
Deferred charges	100,000	-
	-----	-----
Total assets	\$7,721,600 =====	\$7,231,062 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term obligations	\$ 900,000	\$ 250,000
Due to officer	-	366,641
Current portion of long-term debt	164,887	187,424
Accounts payable and accrued expenses	546,648	920,891
Income taxes payable	-	89,368
	-----	-----
Total current liabilities	1,611,535	1,814,324
Long-term debt, less current portion	1,291,867	1,399,034
Deferred income taxes	67,124	67,124
	-----	-----
Total liabilities	2,970,526	3,280,482
Minority interest	685,511	852,267
	-----	-----
Shareholders' equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value; 100,000,000 shares authorized, 6,916,348 and 6,229,148 shares issued, respectively	69,163	62,291
Capital in excess of par value	7,713,395	6,483,142
Accumulated deficit	(3,318,326)	(3,048,451)
	-----	-----
Less treasury stock, at cost	4,464,232 (398,669)	3,496,982 (398,669)
	-----	-----
Net shareholders' equity	4,065,563	3,098,313
	-----	-----
Total liabilities and shareholders' equity	\$7,721,600 =====	\$7,231,062 =====

See accompanying notes to condensed consolidated financial statements.



CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS  
 (unaudited)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1994	1995	1994
	-----	-----	-----	-----
Net sales	\$1,627,425	\$2,665,708	\$5,463,959	\$8,034,990
	-----	-----	-----	-----
Costs and expenses:				
Cost of sales	953,132	1,471,909	3,377,742	4,501,451
Selling and administrative	819,069	739,372	2,252,436	2,368,309
Depreciation and amortization	107,863	106,284	321,263	291,940
	-----	-----	-----	-----
	1,880,064	2,317,565	5,951,441	7,161,700
	-----	-----	-----	-----
Income (loss) from operations	( 252,639)	348,143	( 487,482)	873,290
Interest expense (net)	( 48,809)	( 45,826)	( 135,478)	( 162,727)
	-----	-----	-----	-----
Income (loss) before provision (credit) for income taxes	( 301,448)	302,317	( 622,960)	710,563
Provision (credit) for income taxes	( 79,642)	100,000	( 186,330)	300,000
	-----	-----	-----	-----
Income (loss) before minority interest	( 221,806)	202,317	( 436,630)	410,563
Minority interest	83,091	( 63,383)	166,756	( 194,875)
	-----	-----	-----	-----
Net income (loss)	(\$ 138,715)	\$ 138,934	(\$ 269,874)	\$ 215,688
	=====	=====	=====	=====
Net income (loss) per share, primary and fully diluted	(\$ .02)	\$ .02	(\$ .04)	\$ .04
	=====	=====	=====	=====
Weighted average number of common shares outstanding	6,579,095	5,883,095	6,249,206	5,839,317
	=====	=====	=====	=====

See accompanying notes to condensed consolidated financial statements.

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1994
	-----	-----
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities:		
Net income (loss)	(\$269,874)	\$ 215,688
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	321,263	291,940
Amortization of deferred charges	50,000	-
Non-cash compensation, other	-	25,000
Non-cash expenses - officer's compensation and interest	35,050	-
Minority interest	( 166,756)	194,875
(Increase) decrease in operating assets:		
Accounts receivable	392,611	705,020
Inventories	( 48,580)	41,522
Prepaid expenses	( 14,663)	76,489
Refundable income taxes	( 184,750)	37,290
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	( 374,243)	( 494,267)
Customer advances	-	( 29,315)
Income taxes payable	( 89,368)	106,710
	-----	-----
Net cash provided by (used in) operating activities	( 349,310)	1,170,952
	-----	-----
Cash flows from investing activities:		
Additions to property and equipment and intangible assets	( 138,220)	( 106,305)
	-----	-----
Net cash (used in) investing activities	( 138,220)	( 106,305)
	-----	-----
Cash flows from financing activities:		
Decrease in cash overdraft	-	( 264,061)
Proceeds from issuance of stock	810,000	-
Proceeds from (reduction of) short-term obligations	650,000	( 543,717)
Repayments of long-term debt	( 129,704)	( 105,283)
Net repayments of officer's loan	( 366,641)	( 173,520)
	-----	-----
Net cash provided by (used in) financing activities	963,655	( 1,086,581)
	-----	-----
Net increase (decrease) in cash	476,125	(21,934)
Cash at beginning of period	329,885	23,344
	-----	-----
Cash at end of period	\$806,010	\$ 1,410
	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION  
CONTINUED ON FOLLOWING PAGE

See accompanying notes to condensed consolidated financial statements.

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - CONTINUED  
 (unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1995	1994
	-----	-----

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the period for:

Interest	\$126,695	\$134,614
	-----	-----
Income taxes	\$ 21,480	\$156,000
	-----	-----

See accompanying notes to condensed consolidated financial statements.

## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

1. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position as of September 30, 1995 and the results of operations for the three-month and nine-month periods ended September 30, 1995 and 1994 and cash flows for the nine-month periods ended September 30, 1995 and 1994. The results of operations for the three-month and nine-month periods ended September 30, 1995 are not necessarily indicative of the results to be expected for the full year.
2. Inventories consisted of the following:

	September 30, 1995	December 31, 1994
	-----	-----
Raw materials	\$299,678	\$247,520
Work-in-process	-	45,906
Finished goods	153,910	111,582
	-----	-----
	\$453,588	\$405,008
	=====	=====

## 3. Other Assets

Investment in CECO Filters, Inc.

Pursuant to a Stock Exchange Agreement dated May 30, 1992, between the Company and IntroTech Investments, Inc. ("IntroTech"), a privately-held Ontario corporation, the Company exchanged 1,666,666 newly issued shares of its common stock for 1,666,666 shares of CECO Filters, Inc. ("CECO") owned by IntroTech. CECO is a Delaware corporation engaged in the pollution controls industry. It is a manufacturer of industrial air filters, with its corporate headquarters located in Conshohocken, Pennsylvania. The 1,666,666 shares of CECO common stock acquired by the Company are restricted. Those shares represented 24.51% of the outstanding shares of common stock of CECO.

During 1993 and 1994, the Company exchanged 2,112,864 and 263,800 additional shares, respectively, of its common stock for 2,112,864 and 263,800 shares of CECO's common stock with unrelated third parties. Also, during 1993, the Company acquired, for cash, an additional 20,100 shares of CECO's common stock from unrelated third parties. During the nine months ended September 30, 1995, the Company exchanged 227,200 shares of its common stock for 227,200 shares of CECO's common stock with unrelated third parties. As of September 30, 1995, the Company owned 63% of CECO's common stock.

Summarized financial information of CECO as of and for the nine months ended September 30, 1995, is as follows:

Financial position:	
Working capital	\$ 307,503
	=====
Total assets	\$4,309,517
	=====
Total shareholders' equity	\$1,344,991
	=====
Results of operations:	
Net sales	\$5,463,959
	=====
Loss before income taxes	(\$ 612,897)
	=====
Net loss	(\$ 426,567)
	=====





## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED  
(unaudited)

## 4. Other Matters

The Company entered into an eighteen-month consulting agreement with an unrelated third party, effective April 1, 1995, to provide financial consulting services to the Company which will, among other things, help the Company to broaden its stock market appeal. As compensation, the consultant received an option to purchase 1,000,000 shares of the Company's common stock at \$2.50 per share, such option expiring April 30, 1996. The option price will be reduced to \$2.25 per share if such options are exercised on or prior to December 31, 1995. In addition, the Company issued 100,000 shares of its common stock to the consultant. The aforementioned stock options and common stock were valued by an independent third party to have an aggregate value of \$150,000 on April 1, 1995, such amount being recorded as a deferred charge to be amortized over the term of the consulting agreement.

During the three-month period ended September 30, 1995, the consultant exercised options to acquire 360,000 shares of the Company's stock.

## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

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

## Financial Condition, Liquidity and Capital Resources

The Company's consolidated cash position increased from \$329,885 at December 31, 1994 to \$806,010 at September 30, 1995. This increase of \$476,125 includes \$810,000 raised from the issuance of 360,000 shares of common stock related to the exercise of stock options, as well as \$650,000 in net proceeds from the increase in CECO's bank line of credit. These increases were offset by cash used in operating activities of \$349,310, additions to property and equipment and intangible assets of \$138,220, repayments of long-term debt of \$129,704, and net repayments of the officer's loan of \$366,641.

The Company's current ratio increased from 1.27 on December 31, 1994 to 1.6 on September 30, 1995.

Management believes that CECO's expected revenues from operations, supplemented by the available line of credit, will be sufficient to provide adequate cash to fund anticipated working capital and other cash needs during the remainder of the year.

Prior to July 1, 1994, the Company's operating expenses were funded by Phillip DeZwirek, Chief Executive Officer, for the past several years. Since July 1, 1994, the Company's operating expenses have been funded by the revenue earned from its consulting agreement with CECO and other consulting revenue. Funds which were advanced to the Company by Mr. DeZwirek were completely repaid as of September 30, 1995.

The Company and CECO have entered into a five year written management and consulting agreement, dated January 1, 1994, which became effective on July 1, 1994, pursuant to which the Company provides management and financial consulting services to CECO for a monthly fee of \$20,000 until the agreement expires in December, 1998. Such revenue should be sufficient to cover the Company's general and administrative expenses.

## Results of Operations - The Company

The Company's consolidated statement of operations for the three-month and nine-month periods ended September 30, 1995 and 1994 reflects the operations of the Company consolidated with the operations of CECO. As a result of multiple stock acquisitions, the Company, effective April 7, 1993, owned a greater than 50% interest in CECO. Transactions not related to the operations of CECO were minimal, and included consulting, legal and accounting fees, as well as interest. Minority interest has been presented as a reduction in loss before minority interest, and accordingly, is representative of 37% of CECO's net loss for the nine-month period ended September 30, 1995.

## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

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

## Results of Operations - CECO Filters, Inc.

Comparison of nine months ended September 30, 1995 to nine months ended September 30, 1994

Sales were approximately \$5.4 million and \$8.0 million for the nine-month periods ended September 30, 1995 and 1994, respectively, a decrease of 32%. This decrease resulted from less sales orders and lower sales backlog at the end of 1994.

CECO's backlog of orders at September 30, 1995 was approximately \$4.6 million as compared to approximately \$3.7 million at September 30, 1994. There can be no assurance that order backlog will be replicated, or increase, from quarter to quarter. The success of CECO's business depends on a multitude of factors that are out of the CECO's control. CECO's operating results can be significantly impacted by the introduction of new products, new manufacturing technologies, rapid change in the demand for its product, decrease in the average selling price over the life of a product as competition increases, and CECO's dependence on the efforts of unaffiliated distributors to sell a portion of its products.

CECO's overall cost of sales increased as a percentage of sales for the nine months ended September 30, 1995 compared to the nine months ended September 30, 1994. The increase resulted from increases in raw material costs, as well as higher costs incurred to service CECO's products. CECO continues to use the latest technology available in an effort to reduce both cost of sales (and the maintenance of optimal inventory levels) and operating expenses, and ultimately increase overall company profits.

CECO's selling and administrative expenses amounted to \$2,125,361 for the nine-month period ended September 30, 1995 compared to \$2,303,063 for the nine-month period ended September 30, 1994. A substantial portion of the selling and administrative expenses are fixed in nature.

CECO incurred management fees of \$180,000 to the Company for the nine-month period ended September 30, 1995 compared to \$120,000 for the nine-month period ended September 30, 1994 in connection with its management and consulting agreement.

Interest expense decreased during the nine-month period ended September 30, 1995, when compared to the same period in 1994. The decrease in interest expense can be attributed to a reduced utilization of the bank line of credit during the six months ended September 30, 1995 compared to the previous year.

CECO incurred a pre-tax loss of \$612,897 for the nine-month period ended September 30, 1995, as compared to pre-tax income of \$732,698 for the nine-month period ended September 30, 1994. This change resulted primarily from the decrease in sales for the nine-month period ended September 30, 1995 over the comparable period in 1994.

The credit for federal and state income taxes for the nine-month period ended September 30, 1995 amounted to \$186,330 compared to a provision for federal and state income taxes of \$300,000 for the nine-month period ended September 30, 1994.

## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

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

Comparison of three months ended September 30, 1995 to three months ended September 30, 1994

Sales were approximately \$1.6 million and \$2.7 million for the three-month periods ended September 30, 1995 and September 30, 1994, respectively, a decrease of 38.9%. The decrease in sales from 1994 to 1995 resulted principally from less sales orders and lower sales backlog at the end of the 1994.

CECO's overall cost of sales increased as a percentage of sales for the three months ended September 30, 1995 compared to the three months ended September 30, 1994. The increase resulted from increases in raw material costs, as well as higher costs incurred to service CECO's products. CECO continues to use the latest technology available in an effort to reduce both cost of sales (and the maintenance of optimal inventory levels) and operating expenses, and ultimately increase overall company profits.

CECO's selling and administrative expenses amounted to \$772,523 for the three-month period ended September 30, 1995 compared to \$702,006 for the three-month period ended September 30, 1994, representing an increase of \$70,517 or 10%. A substantial portion of the selling and administrative expenses are fixed in nature.

CECO incurred management fees of \$60,000 during the three-month period ended September 30, 1995 compared to \$120,000 for the three-month period ended September 30, 1994 in connection with its management and consulting agreement with the Company.

CECO incurred a pre-tax loss of \$295,564 for the three-month period ended September 30, 1995, as compared to pre-tax income of \$236,942 for the three-month period ended September 30, 1994. The change resulted primarily from the decrease in sales for the three-month period ended September 30, 1995 with the comparable period in 1994.

Interest expense during the three-month period ended September 30, 1995, when compared to the same period in 1994, was approximately the same.

The credit for federal and state tax income taxes for the three-month period ended September 30, 1995 amounted to \$79,643 compared to a provision for federal and state income taxes of \$150,300 for the three-month period ended September 30, 1994.

## CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

## PART II - OTHER INFORMATION

- Item 1.           Legal Proceedings  
There have been no changes since the Company's last report in Item 3, "Legal Proceedings" of Form 10-KSB for the year ended December 31, 1994.
- Item 2.           Changes in Securities  
Not applicable
- Item 3.           Defaults Upon Senior Securities  
Not applicable
- Item 4.           Submission of Matters to Vote of Security Holders  
None
- Item 5.           Other Information  
None
- Item 6.           Exhibits and Reports on Form 8-K  
(a) Exhibits - None  
(b) Reports on Form 8-K - None

CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES

SIGNATURE

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

CECO ENVIRONMENTAL CORP.

Phillip DeZwirek  
-----  
Phillip DeZwirek  
Chief Financial Officer  
Chief Executive Officer

Date: October 31, 1995

9-MOS		
	DEC-31-1995	
	SEP-30-1995	
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		0
	1,123,629	
		0
	453,588	
	2,639,008	
		3,185,833
	1,153,791	
	7,721,600	
1,611,535		
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		0
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7,721,600		
		5,463,959
	5,463,959	
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	(186,330)	
(386,630)		
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	(219,874)	
	(.04)	
	(.04)	