

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

**Form 8-k**

**Current Report**

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

**Date of Report (Date of earliest event reported): 05/24/2006**

**CECO ENVIRONMENTAL CORP**

(Exact name of registrant as specified in its charter)

**Commission File Number: 0-7099**

**DE**  
(State or other jurisdiction of  
incorporation)

**13-2566064**  
(IRS Employer  
Identification No.)

**3120 Forrer Street, Cincinnati, OH 45209**  
(Address of principal executive offices, including zip code)

**(416) 593-6543**  
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01. Entry into a Material Definitive Agreement**

2006 Executive Incentive Compensation Plan

On May 24, 2006, the Compensation Committee and the Board of Directors of CECO Environmental Corp. ("CECO") approved and adopted a 2006 Executive Incentive Compensation Plan. The Plan is to be administered by the Compensation Committee of CECO, which will select the persons to be granted awards under the Plan, determine the time when awards will be granted, determine the performance goals, and determine whether objectives and conditions for earning awards have been met.

Generally, all executive officers of CECO are eligible to participate in the Plan for any fiscal year. The Committee, however, will select the officers of the Company to whom awards may from time to time be granted under this Plan.

The awards under the Plan will be based on performance targets established for a fiscal year, commencing with fiscal year 2006. The Compensation Committee will establish and approve performance targets for awards for each year, which may be based on certain objective criteria and/or on subjective individual goals established by a participant, management, and the Compensation Committee. Awards will be payable in cash each year upon certification by the Compensation Committee that the specified performance targets for the preceding fiscal year were achieved.

The description set forth herein of the terms of the Plan is qualified in its entirety by reference to the full text of the Plan, which is filed with this report as Exhibit 10.1 and incorporated by reference into this Item 1.01.

Eligible Participants and Performance Targets -- 2006

On May 24, 2006, the Compensation Committee of CECO approved and adopted the Eligible Participants and Performance Targets for 2006 ("2006 Performance Targets"). The participants in the Plan for 2006 are President and COO Richard J. Blum, CFO and Vice President Dennis W. Blazer, and Senior Vice President David D. Blum. There will be two components to the 2006 performance targets: an objective target based on achievement of a financial goal (the "Objective Bonus") and a target based on achievement of an individual goal. The objective bonus is based on whether and to the extent the amount of actual income from operations before executive bonuses exceeds the target amount of actual income from operations before executive bonuses.

The description set forth herein of the terms the 2006 Performance Targets is qualified in its entirety by reference to the full text of the 2006 Performance Targets, which is filed with this report as Exhibit 10.2 and incorporated by reference into this Item 10.2.

On May 24, 2006, the Compensation Committee approved an increase in Richard J. Blum's salary from \$275,000 to \$300,000, David D. Blum's salary from \$200,000 to \$225,000 and Dennis W. Blazer's base salary from \$160,000 to \$200,000, all effective as of July 1, 2006.

**Item 9.01. Financial Statements and Exhibits**

10.1 2006 Executive Incentive Compensation Plan

10.2 Eligible Participants and Performance Targets--2006

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**Signature(s)**

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 hereunto duly authorized.

CECO ENVIRONMENTAL CORP

Date: May 26, 2006

By: /s/ Dennis W. Blazer

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Dennis W. Blazer  
Chief Financial Officer and Vice President--Finance and  
Administration

## Exhibit Index

<b>Exhibit No.</b>	<b>Description</b>
EX-10.1	Executive Incentive Compensation Plan
EX-10.2	Performance Targets

**CECO Environmental, Inc.**

**2006 EXECUTIVE INCENTIVE COMPENSATION PLAN**

**(the "Plan")**

1. Purpose

The principal purposes of this Plan (the "Plan") are to assist CECO Environmental Corp. ("CECO") in attracting, motivating and retaining officers who have significant responsibility for the growth and long-term success of CECO and its subsidiaries and divisions (collectively, the "Company") by providing incentive awards that ensure a strong pay-for-performance linkage for such officers.

2. **Administration of the Plan.**

The Plan shall be administered by the Compensation Committee of the Board of Directors of CECO (the "Committee"). The Committee shall be appointed by the Board of Directors and shall consist of not less than two members of the Board who meet the definition of "non-employee director" under the provisions of the Securities Exchange Act of 1934, as amended or the regulations or rules thereunder, and each of whom is "independent" as set forth in the applicable rules and regulations of the Securities and Exchange Commission and Nasdaq.

The Committee shall have all the powers vested in it by the terms of this Plan, such powers to include the authority (within the limitations described herein) to select the persons to be granted awards under the Plan, to determine the time when awards will be granted, to determine the performance goals, to determine whether objectives and conditions for earning awards have been met, and to determine whether an award or payment of an award should be reduced or eliminated.

The Committee shall have full power and authority to administer and interpret the Plan and to adopt such rules, regulations, agreements, guidelines and instruments for the administration of the Plan and for the conduct of its business as the Committee deems necessary or advisable. The Committee's interpretations of the Plan, and all actions taken and determinations made by the Committee pursuant to the powers vested in it hereunder, shall be conclusive and binding on all parties concerned, including CECO, its shareholders and any person receiving an award under the Plan.

**3. Eligibility**

Generally, all executive officers of the Company are eligible to participate in the Plan for any fiscal year. The Committee, however, shall select the officers of the Company to whom awards may from time to time be granted under this Plan.

**4. Awards.**

(a) **Types of Awards.** The Committee may grant awards to eligible officers, subject to the terms and conditions set forth in the Plan. The awards shall be based on performance targets established for a fiscal year (each, a "Performance Period"), commencing with fiscal year 2006. Each eligible officer may receive a bonus if and only if the performance targets established by the Committee are attained. Notwithstanding anything contained herein to the contrary and notwithstanding that the performance targets have been obtained and/or the individual awards have been calculated, no officer that was deemed a participant of the Plan for a Performance Period may receive an award for such Performance Period unless he is employed by the Company as of December 31 of such Performance Period, unless specifically set forth in a separate agreement.

(b) **Performance Targets.** The Committee shall establish and approve performance targets for awards for each Performance Period within 90 days of the commencement of an applicable Performance Period, or as soon as practicable thereafter. At the time the performance target(s) are selected, the Committee shall provide, in terms of a formula or standard for each eligible participant,

and for any person who may become an eligible participant after the performance target(s) are set, the method of computing the specific amount that will represent the maximum amount of an award to the participants if the performance target(s) are attained. Performance targets may be established in terms of specified levels of any of the following business measures: stock price, market share, sales revenue, earnings, cash flow, sales volume, earnings per share, return on equity, return on assets, return on sales, return on invested capital, economic value added, net earnings, income from operations, total shareholder return, gross margin, and/or costs. Performance targets may also be based on subjective individual goals established by a participant, management, and the Committee. Performance targets may be applied with respect to the Company as a whole, a participant, or a subsidiary, division, department, region, function or business unit of the Company in which the participant is employed and may be measured on an absolute basis or relative to a peer-group or index. The achievement of any individual goal shall be evaluated by management and such evaluation should be used by the Committee to determine the amount of an award granted pursuant to the individual goals. Any individual goal performance targets may be modified throughout the Performance Period by the Committee in its discretion. Participants in the Plan may participate in either or both of any objective or individual performance based awards, in the discretion of the Committee.

(c) Adjustments. The Committee may adjust the performance targets in consultation with the CEO of CECO or provide for the manner in which performance will be measured against the performance targets to reflect the impact of specified corporate transactions (such as a stock split or stock dividend), special charges, accounting or tax law changes and other extraordinary or nonrecurring events.

(d) Partial Participation. If the Committee selects an executive officer to participate in the Plan after the adoption of the Plan and the performance target(s) are established for a Performance Period, the Committee may grant an award which may or may not be, in the discretion of the Committee, proportionately adjusted based on the period of actual service during the applicable Performance Period and on such other terms as determined by the Committee.

(e) Payment of Awards. Awards will be payable in cash each year upon certification by the Committee that the specified performance targets for the preceding fiscal year were achieved.

(f) Negative Discretion. Notwithstanding the achievement by the Company of the specified performance targets, the Committee has the discretion, by participant, to reduce, some or all of an award that would be otherwise paid if such award would otherwise violate any loan agreement or other agreement to which CECO is a party, or any applicable Nasdaq or SEC law, rule, or regulation.

## 5. Miscellaneous Provisions

(a) Guidelines. The Committee may adopt from time to time written policies for its implementation of the Plan.

(b) Delegation of Administrative Authority. Subject to the laws, rules, and regulations of Nasdaq and the SEC, the Committee, as it deems necessary, may delegate its responsibilities for administering the Plan to Company executives.

(c) Restriction on Transfer. Awards (or interests therein) to a participant or amounts payable with respect to a participant under the Plan are not subject to assignment or alienation, whether voluntary or involuntary.

(d) Withholding Taxes. CECO or any subsidiary or division thereof, as appropriate, shall have the right to deduct from all awards hereunder any federal, state, local or foreign taxes required by law to be withheld with respect to such awards.

(e) No Rights to Awards. Except as set forth herein, no Company employee or other person shall have any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of CECO or any of its subsidiaries, divisions or affiliates.

(f) Costs and Expenses. The cost and expenses of administering the Plan shall be borne by the Company and not charged to any award or to any participant receiving an award.

(g) **Funding of Plan.** The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any award under the Plan.

(h) **Governing Law.** The Plan and all rights and awards hereunder shall be construed in accordance with and governed by the laws of the state of Delaware.

**6. Effective Date, Amendments and Termination.**

(a) **Effective Date.** The Plan shall become effective on the date it is approved by CECO's Board of Directors.

(b) **Amendments.** The Committee may at any time amend the Plan in whole or in part, but no such action shall adversely affect any rights or obligations with respect to any awards theretofore made under the Plan.

(c) **Termination.** The Plan shall continue in effect until terminated by the Board.

## Executive Incentive Plan

### Eligible Participants and Performance Targets -- 2006

The Compensation Committee (the "Committee") of CECO Environmental Corp. (the "Company") has approved the following terms for the fiscal year 2006 under the Executive Incentive Compensation Plan (the "Plan") of the Company.

1. Eligible participants for 2006: President and COO Richard J. Blum, CFO and Vice President Dennis W. Blazer, and Senior Vice President David D. Blum (the "Participants"). Such Participants will participate in both the Objective Bonus and Individual Bonus, as such term are hereinafter defined.
2. There will be two Performance Targets -- An objective target based on achievement of a financial goal (the "Objective Bonus") and a target based on achievement of an individual goal ("Individual Bonus") to determine the aggregate bonus awarded under the Plan (the Objective Bonus and the Individual Bonus collectively, the "Bonus").
3. Calculation of Objective Bonus-- A bonus pool based on achievement of a target shall be determined and shared among the Participants for the Objective Bonus as set forth below.
  - A. The target (the "Target") is income from operations before executive bonuses ("IFOBEB") as set forth in the approved fiscal year business plan. For 2006 this target is \$3,750,000. The fiscal business plan must include the incentive compensation expense and the actual income from operations must be net of such expense. The actual IFO ("Actual IFO") shall be determined as of the end of the fiscal year by the Company's regular accountants.

#### B. Calculation of the Objective Bonus pool (the "Bonus Pool"):

1. If the amount of the Actual IFOBEB is less than the amount of the Target there will be no Bonus Pool and no Participant shall receive an Objective Bonus.
  2. If the amount of the Actual IFOBEB is in excess of 100% of the amount of the Target, the Bonus Pool will be an amount equal to the sum of (i) 20% of the aggregate amount of the eligible participants' Base Salaries, as may be prorated to account for partial year participation, plus (ii) 10% of the amount by which of the IFOBEB exceeds the amount of the Target.
  3. For 2006, the IFOBEB objective will be capped at \$5,000,000.

C. The Bonus Pool will be divided proportionately among the Participants on the basis of the relative Base Salary of each Participant as it relates to the aggregate total Base Salaries of all Participants. If any participant is employed for only a portion of a fiscal year, the division of the Bonus Pool will be calculated using the Base Salary of such Participant provided that any such Participant's portion shall then be subject to reduction pursuant to Section 5.

D. The Committee, in consultation with the Company's regular accountants, shall determine the amount of the Objective Bonus to be paid to each Participant, and such determination shall be final and binding.

#### 4. Calculation of Individual Bonus:

- A. Each Participant is required to submit one written measurable goal to the Committee no later than January 15, 2006, or such other date approved by the Committee, which must be approved by their respective supervisors and the Committee. This goal is to be outside of their the normal day-to-day duties, but extremely important to the success of the Company. Individual goals may be modified or replaced throughout the course of the year as circumstances warrant, subject to the approval of the Committee in consultation with management.
  - B. At year-end, each Participant's performance against their individual goal is to be evaluated by their respective supervisors and such evaluation shall be submitted to the Committee. Based upon this evaluation, the supervisor will recommend a percentage (0% - 100%) of the Individual Bonus to be paid, with the maximum Individual Bonus to be achieved equal to 10% of such Participant's Base Salary.

- A. The amount of the Individual Bonus awarded is in the sole discretion of the Committee.

#### 5. Additional terms:

A. Participants who are no longer employed as of December 31, 2006 will not receive any Bonus under the Plan and such Participant's Base Salary shall not be used in calculating the Bonus Pool, except as may be provided in a separate written agreement with a Participant, in which event such Participant's Base Salary, as pro-rated based on number of months of

participation, shall be used in calculating the Bonus Pool and any Bonus for such terminated Participant will be pro-rated based upon his or her number of months of participation in the Plan during the fiscal year, as determined by the Committee.

B. The Individual Bonus target for a new employee who is approved by the Committee as a Participant for 2006 after the date hereof will be based upon his or her annual salary on the date of hire. Any Bonus for such new Employee may or may not be pro-rated based upon his or her number of months of participation in the Plan during the fiscal year, as determined by the Committee, provided, that if a new employee is hired with a bonus guarantee by the Company, such employee will not be allowed to participate in the Plan until the fiscal year in which his or her guarantee is no longer in affect.

C. The Individual Bonus for a Participant who is demoted will be reassessed and will be subject to pro-ration by the Committee.

D. "Base Salary" or "Base Salaries" as used herein shall be the base salaries of Participants as of January 1, 2006.