ECOLOGY & ENVIRONMENT INC
Form 10-Q
June 13, 2006

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

FORM 10-Q

x	Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended April 29, 2006
o	Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from __________ to __________

Commission File Number 1-9065

ECOLOGY AND ENVIRONMENT, INC.
(Exact name of registrant as specified in its charter)

New York	**16-0971022**
(State or other jurisdiction of incorporation or organization)	*(IRS Employer Identification Number)*
368 Pleasant View Drive **Lancaster, New York**	**14086-1397**
(Address of principal executive offices)	*(Zip code)*

(716) 684-8060
(Registrant's telephone number, including area code)

NOT APPLICABLE
(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, (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 x No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes o No x

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

At June 1, 2006, 2,435,392 shares of Registrant's Class A Common Stock (par value $.01) and 1,624,080 shares of Class B Common Stock (par value $.01) were outstanding.

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Ecology and Environment, Inc
Consolidated Balance Sheet

Assets	April 29, 2006	July 31, 2005
Current assets:		
Cash and cash equivalents	$ 5,674,001	$ 7,872,116
Investment securities available for sale	96,651	120,533
Contract receivables, net	38,785,539	30,044,340
Deferred income taxes	5,017,546	5,016,908
Other current assets	1,372,234	2,005,426
Assets of discontinued operations held for sale	39,607	26,821
Total current assets	50,985,578	45,086,144
Property, building and equipment, net	7,684,220	7,967,883
Deferred income taxes	1,044,524	1,044,524
Other assets	3,189,723	1,878,984
Total assets	$ 62,904,045	$ 55,977,535
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 7,204,336	$ 5,979,588
Accrued payroll costs	4,714,266	3,837,435
Income taxes payable	559,092	36,122
Deferred revenue	-	231,611
Current portion of long-term debt and capital lease obligations	377,093	324,071
Other accrued liabilities	9,947,298	6,673,337
Liabilities of discontinued operations held for sale	282,507	290,950
Total current liabilities	23,084,592	17,373,114
Long-term debt and capital lease obligations	367,043	328,053
Minority interest	1,766,085	1,992,544
Commitments and contingencies (see note #9)	-	-
Shareholders' equity:		
Preferred stock, par value $.01 per share; authorized - 2,000,000 shares; no shares issued	-	-
Class A common stock, par value $.01 per		

share; authorized - 6,000,000 shares;				
issued - 2,518,774 and 2,514,235 shares		25,188		25,143
Class B common stock, par value $.01 per				
share; authorized - 10,000,000 shares;				
issued - 1,665,965 and 1,669,304 shares		16,660		16,693
Capital in excess of par value		17,548,811		17,622,172
Retained earnings		23,305,651		22,002,059
Accumulated other comprehensive income		(2,201,532)		(2,236,051)
Unearned compensation, net of tax		-		(158,993)
Treasury stock - Class A common, 96,974 and 94,235				
shares; Class B common, 26,259 and 26,259 shares, at cost		(1,008,453)		(987,199)
Total shareholders' equity		37,686,325		36,283,824
Total liabilities and shareholders' equity	$	62,904,045	$	55,977,535

The accompanying notes are an integral part of these financial statements.

Ecology and Environment, Inc.
Consolidated Statement of Income
Unaudited

	Three months ended		Year to Date	
	April 29, 2006	April 30, 2005	April 29, 2006	April 30, 2005
Gross revenues	$ 27,153,721	$ 23,716,507	$ 74,707,610	$ 67,604,433
Less: direct subcontract costs	5,900,725	4,680,029	13,326,656	11,995,345
Net revenues	21,252,996	19,036,478	61,380,954	55,609,088
Cost of professional services and other direct operating expenses	10,582,374	9,689,987	30,962,510	28,547,747
Gross profit	10,670,622	9,346,491	30,418,444	27,061,341
Administrative and indirect operating expenses	6,740,731	6,744,119	18,896,937	18,797,565
Marketing and related costs	2,294,086	2,544,595	6,471,080	7,467,177
Depreciation	270,961	315,151	805,808	1,189,302
Long-lived asset impairment loss	-	1,106,972	-	2,750,972
Income (loss) from operations	1,364,844	(1,364,346)	4,244,619	(3,143,675)
Interest expense	(19,980)	(16,210)	(80,656)	(87,006)
Interest income	37,106	9,982	134,510	32,295
Other expense	(63,787)	(171,318)	(423,242)	(431,367)
Net foreign currency exchange gain	14,659	29,652	26,039	37,200
Income (loss) from continuing operations before income taxes and minority interest	1,332,842	(1,512,240)	3,901,270	(3,592,553)
Total income tax provision (benefit)	583,498	(1,237,302)	1,600,658	(1,998,595)
Net income (loss) from continuing operations before minority interest	749,344	(274,938)	2,300,612	(1,593,958)
Minority interest	(101,599)	(42,272)	(213,121)	(402,000)
	647,745	(317,210)	2,087,491	(1,995,958)

Net income (loss) from continuing operations								
Loss from discontinued operations		(54,140)		(55,710)		(165,152)		(170,162)
Income tax benefit on loss from discontinued operations		25,717		26,570		71,676		62,279
Net income (loss)	$	619,322	$	(346,350)	$	1,994,015	$	(2,103,841)
Net income (loss) per common share: basic								
Continuing operations	$	0.16	$	(0.08)	$	0.52	$	(0.50)
Discontinued operations		(0.01)		(0.01)		(0.02)		(0.03)
Net income (loss) per common share: basic	$	0.15	$	(0.09)	$	0.50	$	(0.53)
Net income (loss) per common share: diluted								
Continuing operations	$	0.16	$	(0.08)	$	0.52	$	(0.50)
Discontinued operations		(0.01)		(0.01)		(0.02)		(0.03)
Net income (loss) per common share: diluted	$	0.15	$	(0.09)	$	0.50	$	(0.53)
Weighted average common shares outstanding: basic		3,981,680		3,956,246		3,982,212		3,968,250
Weighted average common shares outstanding: diluted		3,993,065		3,956,246		3,987,249		3,968,250

The accompanying notes are an integral part of these financial statements.

Ecology and Environment, Inc
Consolidated Statement of Cash Flows
Unaudited

	Nine months ended	
	April 29, 2006	**April 30, 2005**
Cash flows from operating activities:		
Net income (loss)	$ 1,994,015	$ (2,103,841)
Net loss from discontinued operations, net of tax	(93,476)	(107,883)
Income (loss) from continuing operations	2,087,491	(1,995,958)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment of long-lived assets	-	2,750,972
Depreciation	805,808	1,189,302
Amortization	76,868	129,686
(Gain) or loss on disposition of property and equipment	(5,570)	6,259
Minority interest	443,832	592,895
Provision for contract adjustments	647,713	144,255
(Increase) decrease in:		
- contracts receivable, net	(9,394,915)	1,622,623
- other current assets	633,192	401,384
- income taxes receivable	-	(1,293,527)
- other non-current assets	(1,310,739)	77,474
Increase (decrease) in:		
- accounts payable	1,224,748	(2,260,941)
- accrued payroll costs	876,831	(1,061,947)
- income taxes payable	522,970	(363,114)
- deferred revenue	(231,611)	(850,074)
- other accrued liabilities	3,273,961	1,639,080
Net cash provided by (used in) operating activities	(349,421)	728,369
Net cash used in discontinued operating activities	(114,705)	(112,036)
Cash flows provided by (used in) investing activities:		
Purchase of property, building and equipment	(527,715)	(108,669)
Proceeds from maturity of investments	24,750	-
Payment for the purchase of bond	(2,463)	(2,311)
Net cash used in investing activities	(505,428)	(110,980)
Cash flows provided by (used in) financing activities:		
Dividends paid	(690,423)	(693,374)
Proceeds from debt	384,232	309,774

Repayment of debt		(292,220)		(367,404)
Distributions to minority partners		(670,291)		(109,970)
Net proceeds from issuance of common stock		8,700		1,812
Purchase of treasury stock		(4,035)		(513,276)
Net cash used in financing activities		(1,264,037)		(1,372,438)
Effect of exchange rate changes on cash and cash equivalents		35,476		(97,456)
Net decrease in cash and cash equivalents		(2,198,115)		(964,541)
Cash and cash equivalents at beginning of period		7,872,116		4,240,333
Cash and cash equivalents at end of period	$	5,674,001	$	3,275,792

The accompanying notes are an integral part of these financial statements.

Ecology and Environment, Inc
Consolidated Statement of Changes in Shareholders' Equity

	Common Stock				Capital in		Accumulated Other		Treasury	
	Class A		Class B		Excess of	Retained	Comprehensive	Unearned		
	Shares	Amount	Shares	Amount	Par Value	earnings	Income	Compensation	Shares	A
Balance at July 31, 2004	2,501,985	$ 25,021	1,681,304	$ 16,813	$ 17,592,444	$ 24,972,691	$ (2,336,723)	$ (193,282)	87,749	$
Net loss	-	-	-	-	-	(1,586,540)	-	-	-	
Foreign currency translation reserve	-	-	-	-	-	-	100,725	-	-	
Cash dividends paid ($.34 per share)	-	-	-	-	-	(1,384,092)	-	-	-	
Unrealized investment gain, net	-	-	-	-	-	-	(53)	-	-	
Conversion of common stock - B to A	12,000	120	(12,000)	(120)	-	-	-	-	-	
Repurchase of Class A common stock	-	-	-	-	-	-	-	-	62,500	
Stock options exercised	250	2	-	-	1,810	-	-	-	-	
Issuance of stock under stock award plan, net	-	-	-	-	38,230	-	-	(134,971)	(33,531)	
Amortization, net of tax	-	-	-	-	-	-	-	164,717	-	
Forfeitures	-	-	-	-	(10,312)	-	-	4,543	3,776	
Balance at July 31, 2005	2,514,235	$ 25,143	1,669,304	$ 16,693	$ 17,622,172	$ 22,002,059	$ (2,236,051)	$ (158,993)	120,494	$
Net income	-	-	-	-	-	1,994,015	-	-	-	
Reclassification due to adoption of FAS 123R	-	-	-	-	(158,993)	-	-	158,993	-	
Foreign currency translation reserve	-	-	-	-	-	-	35,476	-	-	

Cash dividends paid ($.17 per share)	-	-	-	-	-	(690,423)	-	-	-	
Unrealized investment gain, net	-	-	-	-	-	-	(957)	-	-	
Conversion of common stock - B to A	3,339	33	(3,339)	(33)	-	-	-	-	-	
Repurchase of Class A common stock	-	-	-	-	-	-	-	-	500	
Stock options exercised	1,200	12	-	-	8,688	-	-	-	-	
Amortization, net of tax	-	-	-	-	76,944	-	-	-	-	
Other	-	-	-	-	-	-	-	-	2,239	
Balance at April 29, 2006	2,518,774	$ 25,188	1,665,965	$ 16,660	$ 17,548,811	$ 23,305,651	$ (2,201,532)	$ -	123,233	$ (1

Ecology And Environment, Inc.
Notes To Consolidated Financial Statements

Summary of Operations and Basis of Presentation

The consolidated financial statements included herein have been prepared by Ecology and Environment, Inc., ("E & E" or the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of such information. All such adjustments are of a normal recurring nature. Although E & E believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations. Therefore, these financial statements should be read in conjunction with the financial statements and the notes thereto included in E & E's 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the nine months ended April 29, 2006 are not necessarily indicative of the results for any subsequent period or the entire fiscal year ending July 31, 2006.

1. Summary of significant accounting principles

a. Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned and majority owned subsidiaries. Also reflected in the financial statements is the 50% ownership in the Chinese operating joint venture, The Tianjin Green Engineering Company. This joint venture is accounted for under the equity method. All significant intercompany transactions and balances have been eliminated.

b. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

c. Revenue recognition

The majority of the Company's revenue is derived from environmental consulting work, with the balance derived from sample analysis (E & E Analytical Services Center, in operation through January 2005) and aquaculture. The consulting revenue is principally derived from the sale of labor hours. The consulting work is performed under a mix of fixed price, cost-type, and time and material contracts. Contracts are required from all customers. Revenue is recognized as follows:

Contract Type	Work Type	Revenue Recognition Policy
Fixed Price	Consulting	Percentage of completion based on the ratio of total costs incurred to date to total estimated costs.
Cost-type	Consulting	Costs as incurred. Fixed fee portion is recognized using percentage of completion determined by the percentage

		of level of effort (LOE) hours incurred to total LOE hours in the respective contracts.
Time and Materials	Consulting	As incurred at contract rates.
Unit Price	Laboratory/ Aquaculture	Upon completion of reports (laboratory) and upon delivery and payment from customers (aquaculture).

d. Translation of foreign currencies

The financial statements of foreign subsidiaries where the local currency is the functional currency are translated into U.S. dollars using exchange rates in effect at period end for assets and liabilities and average exchange rates during each reporting period for results of operations. Translation adjustments are deferred in accumulated other comprehensive income.

The financial statements of foreign subsidiaries located in highly inflationary economies are remeasured as if the functional currency were the U.S. Dollar. The remeasurement of local currencies into U.S. dollars creates translation adjustments which are included in net income. There were no highly inflationary economy translation adjustments for fiscal years 2005-2006.

e. Income Taxes

The Company follows the asset and liability approach to account for income taxes. This approach requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Although realization is not assured, management believes it is more likely than not that the recorded net deferred tax assets will be realized. Since in some cases management has utilized estimates, the amount of the net deferred tax asset considered realizable could be reduced in the near term. No provision has been made for United States income taxes applicable to undistributed earnings of foreign subsidiaries as it is the intention of the Company to indefinitely reinvest those earnings in the operations of those entities.

f. Earnings per share

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. See Footnote No. 7.

g. Impairment of Long-Lived Assets

In January 2005, the Company recognized a $1.6 million impairment loss as a result of its decision to close its Analytical Services Center (ASC) located in Lancaster, New York. At that time, the impairment of the land and buildings was determined based on the results of an independent appraisal and the equipment values were determined by equipment offers the Company had received. Operations continued beyond the end of the Company's second quarter ended January 2005 and all backlog was completed by the end of February. Consequently, at January 2005 the impairment loss was shown as from "continuing operations" and the assets were classified as "held for use."

In April 2005, the Company recorded an additional impairment loss on its remaining ASC land and building assets in the amount of $1.2 million. This was the result of information obtained from various commercial brokers in April 2005 that provided the Company with additional information on current market conditions affecting the value of the real estate. The reduced valuation is based on the likelihood that the facility will not be sold to an existing laboratory or research company, but will rather be sold as combination office and warehouse space. The testing equipment was sold during the third quarter. Although business operations have ceased at the ASC, any impairment losses are shown as from "continuing operations" due to the uncertainty that the assets can be sold within one year under current market conditions.

h. Cash Flow Revision

The Company has revised its 2005 consolidated statement of cash flows to separately disclose operating, investing and financing portions of cash flows attributable to discontinued operations. The Company had previously reported these as separate amounts with cash flows from continuing operations within each category.

i. Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest was approximately $81,000 and $87,000 for the first nine months of fiscal year 2006 and 2005, respectively. Cash paid (net refund received) for income taxes was approximately $681,000 and ($441,000) for the first nine months of fiscal year 2006 and 2005, respectively.

j. Adoption of FASB 123(R)

The Company adopted FAS 123(R), Share-Based Payment (SBP), effective August 1, 2005. The Statement requires companies to expense the value of employee stock options and similar awards. Under FAS 123(R), SBP awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. Compensation cost for awards that vest would not be reversed if the awards expire without being exercised. The unearned stock compensation balance of $158,993 as of July 31, 2005, which was accounted for under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), was reclassified into additional paid-in-capital upon adoption of SFAS 123(R). The impact on the Company's financial statements was not material.

k. Reclassifications

Certain prior year amounts were reclassified to conform to the 2006 financial statement presentation.

2. Contract Receivables, net

		April 29, 2006		July 31, 2005
United States government -				
Billed	$	2,207,671	$	2,418,683
Unbilled		7,084,547		3,801,977
		9,292,218		6,220,660
Industrial customers and state and municipal governments -				
Billed		26,954,034		22,065,280
Unbilled		6,576,893		5,348,293
		33,530,927		27,413,573
Less allowance for contract adjustments		(4,037,606)		(3,589,893
	$	38,785,539	$	30,044,340

United States government receivables arise from long-term U.S. government prime contracts and subcontracts. Unbilled receivables result from revenues which have been earned, but are not billed as of period-end. The above unbilled balances are comprised of incurred costs plus fees not yet processed and billed; and differences between year-to-date provisional billings and year-to-date actual contract costs incurred and fees earned of approximately $(649,000) at April 29, 2006 and $179,000 at July 31, 2005. Management anticipates that the April 29, 2006 unbilled receivables will be substantially billed and collected within one year. Included in the balance of receivables for industrial customers and state and municipal customers are receivables due under the contracts in Saudi Arabia and Kuwait of $11.1 million and $8.5 million at April 29, 2006 and July 31, 2005, respectively. Within the above billed balances are contractual retainages in the amount of approximately $702,000 at April 29, 2006 and $713,000 at July 31, 2005. Management anticipates that the April 29, 2006 retainage balance will be substantially collected within one year.

Included in other accrued liabilities is an additional allowance for contract adjustments relating to potential cost disallowances on amounts billed and collected in current and prior years' projects of approximately $1.4 million at April 29, 2006 and $1.2 million at July 31, 2005. Also included in other accrued liabilities is a reclassification of billings in excess of recognized revenues of approximately $2.3 million at April 29, 2006 and $1.8 million at July 31, 2005. An allowance for contract adjustments is recorded for contract disputes and government audits when the amounts are estimatable.

The contracts in Saudi Arabia are through the Company's majority owned (66 2/3%) subsidiary, Ecology and Environment of Saudi Arabia Co., Ltd. (EESAL). The Company has an agreement with its minority shareholder to divide any profits in EESAL from the current contracts equally, and to pay to the minority shareholder a commission of 5% of the total contract values. The commission and additional profit sharing covers on-going representation in the Kingdom, logistical support including the negotiation and procurement of Saudi national personnel, facilities, equipment, licenses, permits, and any other support deemed necessary in the implementation and performance of the Saudi contracts. As of April 29, 2006 the Company has incurred expense of $1,991,000 ($15,000 for the first nine months of fiscal year 2006, $141,000 in fiscal year 2005, $944,000 in fiscal year 2004, $505,000 in fiscal year 2003 and $386,000 in fiscal year 2002 under the terms of this commission agreement).

3. Line of Credit

The Company maintains an unsecured line of credit available for working capital and letters of credit of $20 million with a bank at 1/2% below the prevailing prime rate. A second line of credit has been established at another bank for up to $13.5 million exclusively for letters of credit and is renewed annually. At April 29, 2006 and July 31, 2005, respectively, the Company had letters of credit outstanding totaling $1,843,330 and $2,373,602, respectively. The Company had no outstanding borrowings for working capital at April 29, 2006 and July 31, 2005.

The Company is in compliance with all bank loan covenants at April 29, 2006.

4. Long-Term Debt and Capital Lease Obligations

Debt inclusive of capital lease obligations at April 29, 2006 and July 31, 2005 consists of the following:

	April 29, 2006	July 31, 2005
Various bank loans and advances at interest rates ranging from 6% to 14%	$ 535,155	$ 508,978
Capital lease obligations at varying interest rates ranging from 7½% to 14%	208,981	143,146
	744,136	652,124
Less: current portion of debt	(296,833)	(255,298)
current portion of lease obligations	(80,260)	(68,773)
Long-term debt and capital lease obligations	$ 367,043	$ 328,053

The aggregate maturities of long-term debt and capital lease obligations at April 29, 2006 are as follows:

	April 29, 2006
May 2006 - April 2007	$ 377,093
May 2007 - April 2008	124,788
May 2008 - April 2009	101,455
May 2009 - April 2010	34,887
May 2010 - April 2011	23,597

Thereafter	82,316
	$ 744,136

5. Stock Award Plan

Effective March 16, 1998, the Company adopted the Ecology and Environment, Inc. 1998 Stock Award Plan (the "1998 Plan"). To supplement the 1998 Plan, the 2003 Stock Award Plan (the "2003 Plan") was approved by the shareholders at the annual meeting held in January 2004 (the 1998 Plan and the 2003 Plan collectively referred to as the "Award Plan"). The 2003 Plan was approved retroactive to October 16, 2003 and will terminate on October 15, 2008. Under the Award Plan key employees (including officers) of the Company or any of its present or future subsidiaries may be designated to received awards of Class A Common stock of the Company as a bonus for services rendered to the Company or its subsidiaries, without payment therefore, based upon the fair market value of the Company stock at the time of the award. The Award Plan authorizes the Company's board of directors to determine for what period of time and under what circumstances awards can be forfeited.

The Company issued 33,531 shares in fiscal year 2005, 47,795 shares in fiscal year 2004, and 38,712 shares in fiscal year 2003 pursuant to the Award Plan. Compensation costs are recorded in accordance with FAS 123R at the time of issuance and are being amortized over the vesting period.

6. Shareholders' Equity - Restrictive Agreement

Messrs. Gerhard J. Neumaier, Frank B. Silvestro, Ronald L. Frank and Gerald A. Strobel entered into a Stockholders' Agreement in 1970 which governs the sale of certain shares of common stock owned by them, the former spouse of one of the individuals and some of their children. The agreement provides that prior to accepting a bona fide offer to purchase all or any part of their shares, each party must first allow the other members to the agreement the opportunity to acquire on a pro rata basis, with right of over-allotment, all of such shares covered by the offer on the same terms and conditions proposed by the offer.

7. Earnings Per Share

The computation of basic earnings per share reconciled to diluted earnings per share follows:

	Three Months Ended		Nine Months Ended	
	4/29/06	4/30/05	4/29/06	4/30/05
Income (loss) from continuing operations available to common stockholders	$ 647,745	$ (317,210)	$ 2,087,491	$ (1,995,958)
Loss from discontinued operations available to common stockholders	(28,423)	(29,140)	(93,476)	(107,883)
Total income (loss) available to common stockholders	619,322	(346,350)	1,994,015	(2,103,841)
Weighted-average common shares outstanding (basic)	3,981,680	3,956,246	3,982,212	3,968,250
Basic earnings per share:				
Continuing operations	$ .16	$ (.08)	$ .52	$ (.50)
Discontinued operations	(.01)	(.01)	(.02)	(.03)
Total basic earnings per share	$ .15	$ (.09)	$ .50	$ (.53)
Incremental shares from assumed conversions of stock options and restricted stock awards	11,385	---	5,037	---
Adjusted weighted-average common shares outstanding	3,993,065	3,956,246	3,987,249	3,968,250
Diluted earnings per share:				
Continuing operations	$ .16	$ (.08)	$ .52	$ (.50)

Discontinued operations		(.01)		(.01)		(.02)	(.03)
Total diluted earnings per share	$	.15	$	(.09)	$	.50	$ (.53)

In accordance with FAS 128, "Earnings Per Share," potential common shares (i.e., stock options and stock awards) have not been included in the denominator of the diuluted per-share computations for the three and nine months ended April 30, 2005, as inclusion of such would result in an antidilutive per-share amount since the Company had a loss from continuing operations.

8. Segment Reporting

Ecology and Environment, Inc. has three reportable segments: consulting services, analytical laboratory services, and aquaculture. The consulting services segment provides broad based environmental services encompassing audits and impact assessments, surveys, air and water quality management, environmental engineering, environmental infrastructure planning, and industrial hygiene and occupational health studies to a world wide base of customers. The analytical laboratory provides analytical testing services to industrial and governmental clients for the analysis of waste, soil and sediment samples. The analytical segment recognized a pretax impairment loss in the amount of $2.8 million in fiscal year 2005 as a result of its decision to close its Analytical Services Center (ASC) located in Lancaster, N.Y. The fish farm located in Jordan produces tilapia fish grown in a controlled environment for markets in the Middle East. In fiscal year 2004, an impairment loss of $442,000 ($139,000 net of minority interest and tax) was recognized for the long-term assets at the Company's fish farm operations in Jordon.

The Company evaluates segment performance and allocates resources based on operating profit before interest income/expense and income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Intercompany sales from the analytical services segment to the consulting segment were recorded at market selling price, intercompany profits are eliminated. The Company's reportable segments are separate and distinct business units that offer different products. Consulting services are sold on the basis of time charges while analytical services and aquaculture products are sold on the basis of product unit prices.

Reportable segments for the nine months ended April 29, 2006 are as follows:

			Aquaculture			
	Consulting	Analytical	Continued	Discontinued	Elimination	Total
Total consolidated net revenues	$ 61,342,514	$ ---	$ 38,440	$ ---	$ ---	$ 61,380,954
Depreciation expense	$ 796,316	$ ---	$ 9,492	$ ---	$ ---	$ 805,808
Segment profit (loss) before income taxes and minority interest	$ 3,998,203	$ ---	$ (96,933)	$ (165,152)	$ ---	$ 3,736,118
Segment assets	$ 60,547,045	$ 2,100,000	$ 217,000	$ 40,000	$ ---	$ 62,904,045
Expenditures for long-lived assets	$ 527,715	$ ---	$ ---	$ ---	$ ---	$ 527,715

Geographic Information:

	Net Revenues (1)	Long-Lived Assets -Gross
United States	$ 52,046,954	$ 21,906,368
Foreign Countries	9,334,000	1,740,000

(1) Net revenue are attributed to countries based on the location of the customers. Net revenues in foreign countries includes $1.8 million in Kuwait.

Reportable segments for the nine months ended April 30, 2005 are as follows:

	Consulting	Analytical	Aquaculture Continued	Aquaculture Discontinued	Elimination	Total
Net revenues from external customers (1)	$ 53,527,152	$ 2,006,586	$ 75,350	$ ---	$ ---	$ 55,609,088
Intersegment net revenues	668,663	---	---	---	(668,663)	---
Total consolidated net revenues	$ 54,195,815	$ 2,006,586	$ 75,350	$ ---	$ (668,663)	$ 55,609,088
Depreciation expense	$ 867,273	$ 312,536	$ 9,493	$ ---	$ ---	$ 1,189,302
Segment profit (loss) before income taxes and minority interest (3)	$ 252,358	$ (3,817,360)	$ (27,551)	($170,162)	$ ---	$ (3,762,715)
Segment assets	$ 54,360,297	$ 2,100,000	$ 295,000	$ 65,000	$ ---	$ 56,820,297
Expenditures for long-lived assets	755,498	$ ---	$ ---	$ ---	$ ---	$ 755,498

Geographic Information:

	Net Revenues (1) (2)	Long-Lived Assets - Gross
United States	$ 45,632,088	$ 22,543,676
Foreign Countries	9,977,000	597,000

(1) Net revenues of $25,896 from discontinued operations were excluded from this table.

(2) Net revenues are attributed to countries based on the location of the customers. Net revenues in foreign countries includes $2.2 million in Saudi Arabia and $1.6 million in Kuwait.

(3) Segment loss for the Analytical segment includes a pretax impairment loss of $2.8 million in long term assets.

9. Commitments and Contingencies

Certain contracts contain termination provisions under which the customer may, without penalty, terminate the contracts upon written notice to the Company. In the event of termination, the Company would be paid only termination costs in accordance with the particular contract. Generally, termination costs include unpaid costs incurred to date, earned fees and any additional costs directly allocable to the termination.

On or about October 28, 2005 several Plaintiffs filed an action in District Court in the City and County of Boulder, Colorado, Case No. 05 CV 1008, against three named Defendants, one of which is Walsh Environmental Scientists & Engineers, LLC (Walsh). Walsh is a majority-owned subsidiary of the Company. The Company is not named as a Defendant. The Plaintiffs' Complaint alleges claims of negligence, breach of contract and trespass for unspecified damages against the Defendants resulting from a forest fire that ignited from a fallen power line during a wind storm that took place in Boulder County, Colorado in October 2003. Walsh's legal counsel has received other communication from the Plaintiffs' attorneys, which indicates that Plaintiffs may be seeking damages, in the aggregate, in excess of $17,000,000. The Company's liability insurance extends to its subsidiaries. Walsh believes the claims asserted against it are without merit and intends to vigorously defend this lawsuit.

The Company is involved in other litigation arising in the normal course of business. In the opinion of management, any adverse outcome to other litigation arising in the normal course of business would not have a material impact on the financial results of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Operating activities consumed $349,000 of cash during the first nine months of fiscal year 2006 compared to providing $728,000 of cash reported in the prior year. The decreased cash flow was mainly attributable to a $9.7 million increase in accounts receivable due to an increase in work volume during the first nine months of fiscal year 2006 as well as a temporary slow down in collections. Other non-current assets increased $1.3 million and accounts payable increased $1.2 million during the first nine months of fiscal year 2006.

Other current assets, accrued payroll costs and other accrued liabilities all contributed as sources of cash during the first nine months of fiscal year 2006. Other current assets decreased $633,000, accrued payroll increased $877,000, and other accrued liabilities increased $3.3 million. The increase in other accrued liabilities was mainly due to additional subcontractor costs received on the Company's contract in Kuwait. The Company purchased $528,000 of new capital equipment compared to depreciation charges of $806,000 during the first nine months of fiscal year 2006.

Financing activities consumed $1.3 million in cash during the first nine months of fiscal year 2006. Dividends in the amount of $690,000 were paid in January 2006 due to a $.17 per share dividend approved by the Board of Directors. The Company reported $670,000 in distributions to minority partners during the first nine months of fiscal year 2006. Long-term debt and capital lease obligations increased $92,000 mainly due to an additional $181,000 in loans held by the Walsh Environmental subsidiary, Walsh Peru.

The Company maintains an unsecured line of credit of $20.0 million with a bank at ½% below the prevailing prime rate. A second line of credit is available at another bank for up to $13.5 million, exclusively for letters of credit. The Company has outstanding letters of credit (LOC’s) at April 29, 2006 in the amount of $1.8 million. These LOC’s were obtained to secure advance payments and performance guarantees for contracts in the Middle East. After LOC’s, there are no outstanding borrowings under the lines of credit and there is $31.7 million of line still available at April 29, 2006. There are no significant additional working capital requirements pending at April 29, 2006. The Company believes that cash flows from operations and borrowings against the line of credit will be sufficient to cover all working capital requirements for at least the next twelve months and the foreseeable future.

Contractual Obligations

		Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Long-Term Debt Obligations	$ 535,155	$ 296,833	$ 110,183	$ 45,823	$ 82,316
Capital Lease Obligations	208,981	80,260	116,060	12,661	---
Operating Lease Obligations (1)	5,905,800	1,913,901	2,315,188	1,253,364	423,347
Total	$ 6,649,936	$ 2,290,994	$ 2,541,431	$ 1,311,848	$ 505,663

(1) Represents rents for office and warehouse facilities

Results of Operations

Net Revenue

Fiscal Year 2006 vs 2005

Net revenues for the third quarter of fiscal year 2006 were $21.3 million, up 12% from the $19.0 million reported in fiscal year 2005. The increase in net revenues is attributable to work performed on contracts associated with the relief efforts for hurricanes Katrina and Rita. These contracts contributed $3.1 million in net revenues during the third quarter of fiscal year 2006. Net revenues from commercial clients were $3.5 million during the third quarter of fiscal year 2006, an increase of $1.8 million from the third quarter of the prior year. The increase in commercial net revenues is attributable to increased activity on our energy related contracts. The energy markets should continue to expand for the Company. Walsh Environmental reported net revenues of $3.7 million during the third quarter of fiscal year 2006, up 23% from the $3.0 million reported in the prior year. The increase in Walsh is due to higher revenues from its subsidiaries in Peru and Ecuador as well as Gustavson Associates. Offsetting these increases were decreases in net revenues from the contracts in Saudi Arabia and Kuwait. These contracts in the Middle East decreased $1.2 million or 69%. The contracts in Saudi Arabia are 100% complete and the contracts in Kuwait are approaching completion. Net revenues attributable to the Company's Superfund Technical Assessment and Response Team (START) contracts decreased $900,000 during the third quarter of fiscal year 2006. This decrease was due to the completion of the contracts in EPA Region III in June 2005 and EPA Region IX in December 2005. An extension was exercised on the EPA Region IX contract extending work through the middle of April 2006, however at a significantly reduced level.

Fiscal Year 2005 vs 2004

Net revenues for the third quarter of fiscal year 2005 were $19.0 million, down 23% from the $24.7 million reported in the third quarter of fiscal year 2004. Decreased net revenues from the Company's contracts in Saudi Arabia and Kuwait accounted for the majority of this reduction. Net revenues from those contracts decreased $6.2 million or 79% due to these contracts approaching completion. Percentage of completion on contracts in the Middle East range from 88% to 100% and it was anticipated that most of the contracts would be substantially completed by the end of fiscal year 2005. Net revenues from Department of Defense (DOD) clients decreased $1.1 million or 32% from the $3.2 million reported in the third quarter of fiscal year 2004. The decrease in DOD net revenues was attributable to reduced work levels on various United States Army Corps of Engineers (USACE) contracts. Net revenues from the ASC decreased $700,000 as all remaining backlog was completed by the end of February. E&E do Brasil, one of the Company's subsidiaries, reported an increase of 236% or $500,000 in net revenues for the third quarter of fiscal year 2005.

Walsh Environmental reported net revenues of $3.0 million during the third quarter of fiscal year 2005, up 50% from the $2.0 million reported in the third quarter of fiscal year 2004. The majority of this increase was due to the consolidation of Gustavson Associates, acquired by Walsh Environmental during the fourth quarter of fiscal year 2004. Gustavson Associates reported net revenues of $643,000 during the third quarter of fiscal year 2005.

Income From Continuing Operations Before Income Taxes and Minority Interest

Fiscal Year 2006 vs 2005

The Company's income from continuing operations before income taxes and minority interest for the third quarter of fiscal year 2006 was $1.3 million, compared to the $1.5 million loss reported in the third quarter of the prior year. This increase was mainly due to increased utilization of staff and an additional impairment of the Analytical Services Center (ASC) in April 2005. The increase in utilization is mainly attributable an increase in work performed on contracts associated with the relief efforts for hurricanes Katrina and Rita. As of the end of the third quarter, the Company has completed the majority of the work on these contracts. The remaining work should be completed during the fourth quarter of fiscal year 2006. The Company continues to aggressively market new opportunities in this region that may arise due to damage to wetlands and other coastal area impacts. Management has continued to control indirect costs and maintain them at a level below that of the third quarter of fiscal year 2005. Indirect costs for the third quarter of fiscal year 2006 were $9.0 million, a decrease of $254,000 from the third quarter of the prior year. The Company recorded an additional $1.1 million pretax impairment loss on the ASC during the third quarter of fiscal year 2005.

Fiscal Year 2005 vs 2004

The Company's loss from continuing operations before income taxes and minority interest for the third quarter of fiscal year 2005 was $1.5 million down from the $1.7 million of income reported in the third quarter of the prior year. The decrease was due to the impairment loss, reduced net revenues, increased administrative and indirect costs, and a $200,000 gain from the sale of investment securities that the Company recorded during the third quarter of the prior year. Administrative and indirect costs increased $339,000 or 5% during the third quarter of fiscal year 2005. This increase was attributable to reduced staff utilization, consolidation of Gustavson Associates to Walsh Environmental, and the Company's on-going compliance work in connection with the requirements of the Sarbanes-Oxley Act. The Company incurred approximately $47,000 in costs associated with the compliance work for the Sarbanes-Oxley Act during the third quarter of fiscal year 2005 and $266,000 fiscal year 2005 to date.

Impairment Losses

In January 2005, the Company recognized a $1.6 million impairment loss as a result of its decision to close the ASC. At that time, the impairment of the land and buildings was determined based on the results of an independent appraisal and the equipment values were determined by equipment offers the Company had received. The impairment was precipitated by the Company's decision to close the operation rather than to sustain further losses while attempting to sell the segment as an on-going business. Continued losses incurred in this segment as a result of market price deterioration and a reduced emphasis by the Federal government on analytical laboratory testing was the basis for this decision. In April 2005, the company recorded an additional impairment loss on its remaining ASC land and building assets in the amount of $1.2 million. This was the result of meetings with various commercial brokers that provided the Company with additional information on current market conditions affecting the value of the real estate. The reduced valuation is based on the likelihood that the facility will not be sold to an existing laboratory or research company, but will rather be sold as combination office and warehouse space. The testing equipment was sold during the third quarter. Although all business operations have ceased, the total ASC impairment losses are shown in the accompanying financial statements as from “continuing operations” due to the uncertainty that the assets can be sold within one year under current market conditions.

Income Taxes

The effective tax rate for the nine months ending April 2006 has increased from 35% for the prior year to 43%. This increase is due mainly to the phase-out of the Extra Territorial Income Exclusion deduction available to the Company on its foreign based work and the reduction in work performed this year on the contracts in the Middle East.

The Company’s tax benefit related to continuing operations for the nine months ended April 30, 2005 in the amount of $591,572 reflects an additional benefit of $536,000 as a result of a change in its estimated reserves for income tax audits. These reserves were re-evaluated and a downward adjustment was made to accommodate the close-out of Internal Revenue service audits of the Company’s fiscal years 2002 and 2003 as reported to the Company in early May 2005.

American Jobs Creation Act of 2004

In October 2004, Congress passed, and the President signed into law, the American Jobs Creation Act of 2004 (the “Act”). Some key provisions of the act affecting the Company are the repeal of the United States export tax incentive known as the extraterritorial income exclusion (EIE) and the implementation of a domestic manufacturing deduction. The EIE is phased out over the calendar years 2005 and 2006 with an exemption for binding contracts with unrelated persons entered into before September 18, 2003. These phase-out provisions will allow the Company to maintain an EIE deduction of an undeterminable amount through fiscal year 2007. The Company believes that it will accrue some benefits from the domestic manufacturing deduction, although such benefits are not expected to be material. The domestic manufacturing deduction will be phased in over a six-year period beginning with the Company’s fiscal year 2005. The Company is currently reviewing the repatriation provisions under the Act and has determined that at least $42,000 will be repatriated under the terms of the Act during the fourth quarter of fiscal year 2006.

Recent Accounting Pronouncements

The Company adopted FAS 123(R), Share-Based Payment (SBP), effective August 1, 2005. The Statement requires companies to expense the value of employee stock options and similar awards. Under FAS 123(R), SBP awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. Compensation cost for awards that vest would not be reversed if the awards expire without being exercised. The Company adopted FAS 123(R) effective August 1, 2005. The unearned stock compensation balance of $158,993 as of July 31, 2005, which was accounted for under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25), was reclassified into additional paid-in-capital upon adoption of SFAS 123(R). The impact on the Company’s financial statements was not material.

Critical Accounting Policies and Use of Estimates

Management's discussion and analysis of financial condition and results of operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, allowance for doubtful accounts, inventories, income taxes, impairment of long-lived assets and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following accounting policies involve its more significant judgments and estimates used in the preparation of its consolidated financial statements. The Company maintains reserves for cost disallowances on its cost based contracts as a result of government audits. The Company recently settled fiscal years 1990 thru 1994 for amounts within the anticipated range. However, final rates have not been negotiated under these audits since 1994. The Company has estimated its exposure based on completed audits, historical experience and discussions with the government auditors. The Company recorded an impairment loss on its shrimp farm operation in fiscal year 2003 and on its Analytical Services Center in fiscal year 2005. An estimate of the fair value of its assets was made based on external appraisals of the land and buildings and internal estimates of the realizable value of the equipment. The Company recorded an impairment loss on its fish farm operations in Jordan in fiscal year 2004. An impairment was necessary due to the uncertainty that the farm’s estimated future net cash flows would be sufficient to recover the carrying value of its long-lived assets. If these estimates or their related assumptions change, the Company may be required to record additional impairment losses or additional charges for disallowed costs on its government contracts.

Changes in Corporate Entities

On January 8, 2004 the Company entered into an agreement to grant a forty-eight percent stake in its Brazilian subsidiary, Ecology and Environment do Brasil, Ltda. (a limited partnership), to three new partners. The new partners are responsible for the in-country marketing and operations of the subsidiary. Any previous earnings, assets and liabilities remained with Ecology and Environment, Inc. The new partners have contributed their business contacts and staff from their old firm. The Company has provided an $80,000 capital contribution to move the office operations from Sao Paulo to Rio de Janeiro. Rio de Janeiro is where the Company believes it will have a more strategic location to market its target clients. During fiscal year 2005, two of the local partners entered into an agreement to purchase the other local partner's shares. This purchase was completed in fiscal year 2006 and had no significant impact to the operations of the Brazilian subsidiary.

During the second quarter of fiscal year 2005, the Company formed three new subsidiaries as well as a new joint venture. These entities were formed for the purpose of obtaining future work for the Company in the Middle East, Russia, and the State of California. The new entities are as follows: MiddleEast Environmental Consultants, LLC (MEC); E & E International, LLC; E & E Environmental Services, LLC; and E & E Ward BMS Consulting Association (Joint Venture). As of April 29, 2006, only MEC and E&E Ward BMS Consulting Association were operational.

In June 2005, the Company signed an agreement to sell its 50% ownership in Beijing YiYi Ecology and Environment Engineering Co., LTD to an existing partner for $240,000. This transaction resulted in a loss of $72,000 and was recorded in the accompanying results of operations for fiscal year 2005.

During fiscal year 2005, members of Walsh Unit Holders LLC exercised their options to purchase an additional 1,146 shares of Walsh Environmental Scientists and Engineers, LLC at a cost of $30,360. This caused the E&E, Inc ownership percentage in this company to drop by 1.7%. There are no additional purchase options outstanding as they expired on June 30, 2005. This caused a reduction in the ownership percentage of E&E, Inc. from 60% to 58.3%.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company may have exposure to market risk for change in interest rates, primarily related to its investments. The Company does not have any derivative financial instruments included in its investments. The Company invests only in instruments that meet high credit quality standards. The Company is averse to principal loss and ensures the safety and preservation of its invested funds by limited default risk, market risk and reinvestment risk. As of April 29, 2006, the Company’s investments consisted of short-term commercial paper and mutual funds. The Company does not expect any material loss with respect to its investments.

The Company is currently documenting, evaluating, and testing its internal controls in order to allow management to report on and attest to, and its' independent public accounting firm to attest to, the Company's internal controls as of July 31, 2007, as required by Section 404 of the Sarbanes-Oxley Act. The Company devoted substantial time and expense to this endeavor during fiscal year 2005 and expects to spend additional management time on this in fiscal year 2006 and 2007. If weaknesses in our existing information and control systems are discovered that impede our ability to satisfy Sarbanes-Oxley reporting requirements, the Company must successfully and timely implement improvements to those systems. There is no assurance that the Company will be able to meet these requirements.

ITEM 4. CONTROLS AND PROCEDURES

Company management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of April 29, 2006. In designing and evaluating the Company’s disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applied its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on this evaluation, the Company’s chief executive officer and chief financial officer concluded that, as of April 29, 2006, the Company’s disclosure controls and procedures were (1) designed to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to its chief executive officer and chief financial officer by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time period specified in the SEC’s rules and forms. There have been no significant changes in internal controls over financial reporting during the period covered by this report.

PART II - OTHER INFORMATION

ITEM 1. **LEGAL PROCEEDINGS**

Certain contracts contain termination provisions under which the customer may, without penalty, terminate the contracts upon written notice to the Company. In the event of termination, the Company would be paid only termination costs in accordance with the particular contract. Generally, termination costs include unpaid costs incurred to date, earned fees and any additional costs directly allocable to the termination.

On or about October 28, 2005 several Plaintiffs filed an action in District Court in the City and County of Boulder, Colorado, Case No. 05 CV 1008, against three named Defendants, one of which is Walsh Environmental Scientists & Engineers, LLC (Walsh). Walsh is a majority-owned subsidiary of the Company. The Company is not named as a Defendant. The Plaintiffs' Complaint alleges claims of negligence, breach of contract and trespass for unspecified damages against the Defendants resulting from a forest fire that ignited from a fallen power line during a wind storm that took place in Boulder County, Colorado in October 2003. Walsh's legal counsel has received other communication from the Plaintiffs' attorneys, which indicates that Plaintiffs may be seeking damages, in the aggregate, in excess of $17,000,000. The Company's liability insurance extends to its subsidiaries. Walsh believes the claims asserted against it are without merit and intends to vigorously defend this lawsuit.

The Company is involved in other litigation arising in the normal course of business. In the opinion of management, any adverse outcome to other litigation arising in the normal course of business would not have a material impact on the financial results of the Company.

ITEM 2. **CHANGES IN SECURITIES AND USE OF PROCEEDS**

(e) Purchased Equity Securities. The following table summarizes the Company's purchases of its common stock during the quarter ended April 29, 2006:

	Total Number of Shares Purchased	Average Price Paid Per Shares	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Total	---	---	---	16,534

(1) The Company did not purchase any shares of its Class A common stock during the third quarter of its fiscal year ended July 31, 2006, pursuant to a 200,000 share repurchase program approved at the October 26, 2000 Board of Directors meeting. All purchases are made in open-market transactions.

ITEM 3. **DEFAULTS UPON SENIOR SECURITIES**

The Registrant has no information for Item 3 that is required to be presented.

ITEM 4. **SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

The Registrant has no information for Item 4 that is required to be presented.

ITEM 5. **OTHER INFORMATION**

The Registrant has no information for Item 5 that is required to be presented.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) - 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Registrant did not file a Form 8-K during the third quarter ended April 29, 2006.

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.

ECOLOGY AND ENVIRONMENT, INC.

Date: June 13, 2006

By: /s/ Ronald L. Frank

Title: Executive Vice President, Secretary, Treasurer and Chief Financial Officer - Principal Financial Officer