ECOLOGY & ENVIRONMENT INC
Form 10-Q
December 12, 2006

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

FORM 10-Q

þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended October 28, 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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2). (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer þ

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

At December 1, 2006, 2,484,596 shares of Registrant's Class A Common Stock (par value $.01) and 1,623,914 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
Unaudited

Assets		**October 28, 2006**		**July 31, 2006**
Current assets:				
Cash and cash equivalents	$	10,444,929	$	13,094,499
Investment securities available for sale		96,914		97,560
Contract receivables, net		38,025,675		38,604,834
Deferred income taxes		5,503,033		5,630,832
Other current assets		1,504,642		1,041,751
Total current assets		55,575,193		58,469,476
Property, building and equipment, net		7,680,793		7,776,232
Deferred income taxes		1,316,040		1,316,040
Other assets		897,466		1,590,636
Total assets	$	65,469,492	$	69,152,384
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$	4,763,796	$	6,436,260
Accrued payroll costs		4,478,188		6,379,724
Income taxes payable		970,365		1,499,292
Deferred revenue		159,537		161,225
Current portion of long-term debt and capital lease obligations		216,896		403,182
Other accrued liabilities		14,601,500		14,557,729
Total current liabilities		25,190,282		29,437,412
Long-term debt and capital lease obligations		314,816		341,664
Minority interest		1,786,826		1,745,849
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 - 2,534,566 and 2,514,235 shares		25,346		25,346
Class B common stock, par value $.01 per share; authorized - 10,000,000 shares; issued - 1,650,173 and 1,650,173 shares		16,502		16,502
Capital in excess of par value		17,399,717		17,684,373
Retained earnings		23,559,486		23,163,716
Accumulated other comprehensive income		(2,190,584)		(2,208,830)
Treasury stock - Class A common, 49,970 and 102,204 shares; Class B common, 26,259 and 26,259 shares, at cost		(632,899)		(1,053,648)
Total shareholders' equity		38,177,568		37,627,459
Total liabilities and shareholders' equity	$	65,469,492	$	69,152,384

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

Ecology and Environment, Inc.
Consolidated Statement of Income
Unaudited

	Three months ended October 28, 2006	Three months ended October 29, 2005
Gross revenues	$ 24,193,667	$ 23,525,340
Less: direct subcontract costs	3,289,982	3,250,481
Net revenues	20,903,685	20,274,859
Cost of professional services and other direct operating expenses	9,660,815	10,266,062
Gross profit	11,242,870	10,008,797
Administrative and indirect operating expenses	6,781,747	5,858,486
Marketing and related costs	2,478,559	2,319,068
Depreciation	313,937	251,015
Income from operations	1,668,627	1,580,228
Interest expense	(55,160)	(21,828)
Interest income	127,973	42,362
Other expense	(316,111)	(164,527)
Net foreign currency exchange gain (loss)	(2,353)	2,621
Income from continuing operations before income taxes and minority interest	1,422,976	1,438,856
Total income tax provision	419,297	496,473
Net income from continuing operations before minority interest	1,003,679	942,383
Minority interest	(271,063)	(159,288)
Net income from continuing operations	732,616	783,095
Loss from discontinued operations	(54,789)	(60,059)
Income tax benefit on loss from discontinued operations	19,943	23,303
Net income	$ 697,770	$ 746,339
Net income (loss) per common share: basic		
Continuing operations	$ 0.18	$ 0.20
Discontinued operations	(0.01)	(0.01)
Net income per common share: basic	$ 0.17	$ 0.19

Net income (loss) per common share: diluted				
Continuing operations	$	0.18	$	0.20
Discontinued operations		(0.01)		(0.01)
Net income per common share: diluted	$	0.17	$	0.19
Weighted average common shares outstanding: basic		4,018,005		3,983,005
Weighted average common shares outstanding: diluted		4,049,281		3,983,688

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

Ecology and Environment, Inc
Consolidated Statement of Cash Flows
Unaudited

	Three months ended October 28, 2006	Three months ended October 29, 2005
Cash flows from operating activities:		
Net income	$ 697,770	$ 746,339
Net loss from discontinued operations, net of tax	(34,846)	(36,756)
Income from continuing operations	732,616	783,095
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	313,937	251,015
Amortization	12,462	43,241
Gain on disposition of property and equipment	(1,035)	(3,026)
Minority interest	275,804	(81,402)
Provision for contract adjustments	40,875	257,401
(Increase) decrease in:		
- contracts receivable, net	591,995	(5,682,766)
- other current assets	(453,651)	(240,105)
- deferred income taxes	(601)	-
- other non-current assets	534,170	1,147,889
Increase (decrease) in:		
- accounts payable	(1,672,464)	(493,999)
- accrued payroll costs	(1,901,536)	467,218
- income taxes payable	(532,527)	329,984
- deferred revenue	(1,688)	(50,134)
- other accrued liabilities	41,601	2,309,243
Net cash used in operating activities	(2,020,043)	(962,346)
Net cash used in discontinued operating activities (revised)	(41,916)	(27,917)
Cash flows used in investing activities:		
Purchase of property, building and equipment	(217,463)	(92,564)
Payment for the purchase of investment securities	(856)	(814)
Net cash used in investing activities	(218,319)	(93,378)
Cash flows provided by (used in) financing activities:		
Proceeds from debt	544	76,388
Repayment of debt	(213,678)	(156,545)
Distributions to minority partners	(125,840)	-
Purchase of treasury stock	(49,465)	-
Net cash used in financing activities	(388,439)	(80,157)

Effect of exchange rate changes on cash and cash equivalents		19,147		10,187
Net decrease in cash and cash equivalents		(2,649,570)		(1,153,611)
Cash and cash equivalents at beginning of period		13,094,499		7,872,116
Cash and cash equivalents at end of period	$	10,444,929	$	6,718,505

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

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

	Common Stock				Capital in		Accumulated			
	Class A		Class B		Excess of	Retained	Other Comprehensive	Unearned	Treasury	
	Shares	Amount	Shares	Amount	Par Value	earnings	Income	Compensation	Shares	A
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	-	$ -	-	$ -	$ -	$ 2,582,587	$ -	$ -	-	$
Reclassification due to adoption of FAS 123R	-	-	-	-	(158,993)	-	-	158,993	-	
Foreign currency translation reserve	-	-	-	-	-	-	28,122	-	-	
Cash dividends paid ($.35 per share)	-	-	-	-	-	(1,420,930)	-	-	-	
Unrealized investment gain, net	-	-	-	-	-	-	(901)	-	-	
Conversion of common stock - B to A	19,131	191	(19,131)	(191)	-	-	-	-	-	
Repurchase of Class A common stock	-	-	-	-	-	-	-	-	2,595	
Stock options exercised	1,200	12	-	-	8,688	-	-	-	-	
Share-based compensation	-	-	-	-	130,277	-	-	-	-	
Other	-	-	-	-	82,229	-	-	-	5,374	
Balance at July 31, 2006	2,534,566	$ 25,346	1,650,173	$ 16,502	$ 17,684,373	$ 23,163,716	$ (2,208,830)	$ -	128,463	$ (1
Cumulative effect of the application of SAB 108	-	-	-	-	7,000	(302,000)	-	-	-	
Adjusted balance at July 31, 2006	2,534,566	$ 25,346	1,650,173	$ 16,502	$ 17,691,373	$ 22,861,716	$ (2,208,830)	$ -	128,463	$ (1

Net income	-	-	-	-	-	697,770	-	-	-	
Foreign currency translation reserve	-	-	-	-	-	-	19,147	-	-	
Unrealized investment gain, net	-	-	-	-	-	-	(901)	-	-	
Repurchase of Class A common stock	-	-	-	-	-	-	-	-	5,099	
Issuance of stock under stock award plan, net	-	-	-	-	(316,902)	-	-	-	(57,620)	
Share-based compensation	-	-	-	-	19,302	-	-	-	-	
Tax impact of share based compensation	-	-	-	-	5,784	-	-	-	-	
Other	-	-	-	-	160	-	-	-	287	
Balance at October 28, 2006	2,534,566	$ 25,346	1,650,173	$ 16,502	$ 17,399,717	$ 23,559,486	$ (2,190,584)	$ -	76,229	$

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 2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for the three months ended October 28, 2006 are not necessarily indicative of the results for any subsequent period or the entire fiscal year ending July 31, 2007.

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, approximating 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 2006-2007.

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

The Company accounts for impairment of long-lived assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 required that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the book value of the asset may not be recoverable. The Company assesses recoverability of the carrying value of the asset by estimating the future net cash flows (undiscounted) expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

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. 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 revised its 2006 consolidated statement of cash flows during the second quarter of fiscal year 2006 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 $55,000 and $22,000 for the first three months of fiscal year 2007 and 2006, respectively. Cash paid for income taxes was approximately $570,000 and $158,000 for the first three months of fiscal year 2007 and 2006, respectively.

j. Reclassifications

Certain prior year amounts were reclassified to conform to the 2007 financial statement presentation.

2. Contract Receivables, net

		October 28, 2006		July 31, 2006
United States government -				
Billed	$	2,809,684	$	3,040,081
Unbilled		3,674,172		3,454,074
		6,483,856		6,494,155
Industrial customers and state and municipal governments -				
Billed		28,919,774		30,460,655
Unbilled		4,368,927		3,360,808
		33,288,701		33,821,463
Less allowance for contract adjustments		(1,746,882)		(1,710,784)
	$	38,025,675	$	38,604,834

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 $40,000 at October 28, 2006 and ($683,000) at July 31, 2006. Management anticipates that the October 28, 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 $10.8 million and $12.2 million at October 28, 2006 and July 31, 2006, respectively. Within the above billed balances are contractual retainages in the amount of approximately $788,000 at October 28, 2006 and $764,000 at July 31, 2006. Management anticipates that the October 28, 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 $3.4 million at October 28, 2006 and $3.4 million at July 31, 2006. Also included in other accrued liabilities is a reclassification of billings in excess of recognized revenues of approximately $3.7 million at October 28, 2006 and $4.0 million at July 31, 2006. An allowance for contract adjustments is recorded for contract disputes and government audits when the amounts are estimatable.

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 is available at another bank for up to $13.5 million exclusively for letters of credit and is renewed annually. At October 28, 2006 and July 31, 2006, the Company had letters of credit outstanding totaling approximately $1.5. The Company had no outstanding borrowings for working capital at October 28, 2006 and July 31, 2006.

The Company is in compliance with all bank loan covenants at October 28, 2006.

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4. Long-Term Debt and Capital Lease Obligations

Debt inclusive of capital lease obligations at October 28, 2006 and July 31, 2006 consists of the following:

	October 28, 2006	July 31, 2006
Various bank loans and advances at interest rates ranging from 5% to 14 ½%	$ 340,482	$ 531,070
Capital lease obligations at varying interest rates averaging 12%	191,230	213,776
	531,712	744,846
Less: current portion of debt and capital lease obligations	(216,896)	(403,182)
Long-term debt and capital lease obligations	$ 314,816	$ 341,664

The aggregate maturities of long-term debt and capital lease obligations at October 28, 2006 are as follows:

	October 28, 2006
November 2006 - October 2007	$ 216,896
November 2007 - October 2008	131,386
November 2008 - October 2009	51,019
November 2009 - October 2010	28,690
November 2010 - October 2011	26,745
Thereafter	76,976
	$ 531,712

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 57,620 shares valued at $585,995 in October 2006 pursuant to the Award Plan. These awards issued have a three year vesting period. The "pool" of excess tax benefits accumulated in Capital in Excess of Par Value at July 31, 2006 and October 28, 2006 was approximately $82,000 and $89,000, respectively.   Total gross compensation expense is recognized 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 10/28/06	Three Months Ended 10/29/05
Income from continuing operations available to common stockholders	$ 732,616	$ 783,095
Loss from discontinued operations available to common stockholders	(34,846)	(36,756)
Total income available to common stockholders	697,770	746,339
Weighted-average common shares outstanding (basic)	4,018,005	3,983,005
Basic earnings (loss) per share:		
Continuing operations	$ .18	$ .20
Discontinued operations	(.01)	(.01)
Total basic earnings per share	$ .17	$ .19
Incremental shares from assumed conversions of stock options and restricted stock awards	31,276	683
Adjusted weighted-average common shares outstanding	4,049,281	3,983,688
Diluted earnings (loss) per share:		
Continuing operations	$ .18	$ .20
Discontinued operations	(.01)	(.01)
Total diluted earnings per share	$ .17	$ .19

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 provided analytical testing services to industrial and governmental clients for the analysis of waste, soil and sediment samples. The fish farm located in Jordan produces tilapia fish grown in a controlled environment for markets in the Middle East. The analytical laboratory was closed in fiscal year 2005.

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.

<u>Reportable segments for the three months ended October 28, 2006 are as follows</u>:

	Consulting	Analytical	Aquaculture Continued	Aquaculture Discontinued	Elimination	Total
Total consolidated net revenues	$ 20,863,717	$ ---	$ 39,968	$ ---	$ ---	$ 20,903,685
Depreciation expense	$ 310,485	$ ---	$ 3,452	$ ---	$ ---	$ 313,937
Segment profit (loss) before income Taxes and minority interest	$ 1,419,741	$ ---	$ 3,235	$ (54,789)	$ ---	$ 1,368,187
Segment assets	$ 63,128,492	$ 2,100,000	$ 201,000	$ 40,000	$ ---	$ 65,469,492
Expenditures for long-lived assets	$ 217,463	$ ---	$ ---	$ ---	$ ---	$ 217,463

Geographic Information:

	Net Revenues (1)	Long-Lived Assets-Gross
United States	$ 17,527,685	$ 22,460,592
Foreign Countries	3,376,000	1,765,000

(1) Net revenues are attributed to countries based on the location of the customers.

<u>Reportable segments for the three months ended October 29, 2005 are as follows</u>:

	Consulting	Analytical	Aquaculture Continued	Aquaculture Discontinued	Elimination	Total
Total consolidated net revenues	$ 20,241,311	$ ---	$ 33,548	$ ---	$ ---	$ 20,274,859
Depreciation expense	$ 247,850	$ ---	$ 3,165	$ ---	$ ---	$ 251,015
Segment profit (loss) before income taxes and minority interest	$ 1,444,705	$ ---	$ (8,646)	(60,059)	$ ---	$ 1,376,000
Segment assets	$ 56,748,652	$ 2,100,000	$ 305,000	$ 16,000	$ ---	$ 59,169,652
Expenditures for long-lived assets	92,564	$ ---	$ ---	$ ---	$ ---	$ 92,564

Geographic Information:

	Net

	Revenues (1)	Long-Lived Assets-Gross
United States	$ 17,459,859	$ 22,721,262
Foreign Countries	2,815,000	548,000

(1) Net revenues are attributed to countries based on the location of the customers. Net revenues in foreign countries includes $129,000 in Saudi Arabia and $544,000 in Kuwait.

9. Commitments and Contingencies

From time to time, the Company is named defendant in legal actions arising out of the normal course of business. The Company is not a party to any pending legal proceeding the resolution of which the management of the Company believes will have a material adverse effect on the Company's results of operations or financial condition or to any other pending legal proceedings other than ordinary, routine litigation incidental to its business. The Company maintains liability insurance against risks arising out of the normal course of business.

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 Plaintiff's 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 Plaintiff's 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

10. Recent Accounting Pronouncements

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." SAB 108 was issued in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements.

Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "roll-over" method and the "iron curtain" method. The roll-over method focuses primarily on the impact of a misstatement of the income statement--including the reversing effect of prior year misstatements--but its use can lead to the accumulation of misstatements in the balance sheet. The iron curtain method, on the other hand, focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing effects of prior year errors on the income statement. The Company currently utilizes the roll-over method for quantifying identified financial statement misstatements.

In SAB 108, the SEC staff established an approach that requires quantification of financial statement misstatements based on the effects of the misstatements on each of the company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the iron curtain and the roll-over methods.

SAB 108 permits public companies to initially apply its provisions either by (i) restating prior financial statements as if the "dual approach" had always been used or (ii) recording the cumulative effect of initially applying the "dual approach" as adjustments to the carrying values of assets and liabilities as of August 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. The Company elected to record the effects of applying SAB 108 using the "cumulative effect" transition method. The following table summarizes the effects (up to August 1, 2006) of applying the guidance in SAB 108:

Period in Which the Misstatement Originated (1)

	Cumulative Prior to July 31, 2000	Fiscal Years Ended July 31, 2001-2006	Adjustment Recorded as of August 1, 2006
Other assets (2)	$ (121,000)	---	$ (121,000)
Goodwill (3)	---	$ (38,000)	(38,000)
Accrual adjustments (4)	---	33,000	33,000
Tax accruals (5)	---	(117,000)	(117,000)
Minority interest (6)	---	(59,000)	(59,000)
Impact on Retained Earnings	$ (121,000)	$ (181,000)	$ (302,000)

(1) The Company previously qualified these errors under the "roll-over" method and concluded that they were immaterial-individually and in the aggregate.

(2) Other assets - the amount references unadjusted differences in inter-company accounts.

(3) Goodwill - the amount references purchase allocations not previously recorded.

(4) Accrual adjustments - the amount references decreased project costs not previously recorded

(5) Tax accruals - the amount references adjustments to tax expense related to share-based compensation.

(6) Minority interest - the amount references adjustments to correct allocations under agreement terms.

In June 2006, the FASB issued FIN 48, an interpretation of SFAS 109. FIN 48 clarifies the accounting for uncertainty in income taxes and reduces the diversity in current practice associated with the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return by defining a "more-likely-than-not" threshold regarding the sustainability of the position. The Company is required to adopt FIN 48 in the fiscal year ending July 31, 2008 and is currently evaluating the impact on its financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Operating activities consumed $2.1 million and $1.0 million of cash during the first quarter of fiscal year 2007 and 2006, respectively. The decreased cash flow for the first quarter of fiscal year 2007 was mainly attributable to a $1.9 million decrease in accrued payroll and a $1.7 million decrease in accounts payable. Accrued payroll decreased during the quarter due to the issuance of corporate bonuses to eligible employees. Accounts payable decreased during the first quarter of fiscal year 2006 due to the strong cash position of the Company and a drop in direct operating expenses. The Company purchased $217,000 of new capital equipment compared to depreciation charges of $314,000 during the first quarter of fiscal year 2007.

Financing activities consumed $388,000 of cash during the first quarter of fiscal year 2007. The Company reported $126,000 in distributions to minority partners during the first quarter of fiscal year 2007. Long-term debt and capital lease obligations decreased $214,000 mainly due to repayments of debt held by GAC and 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 October 28, 2006 in the amount of $1.5 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 $32.0 million of line still available at October 28, 2006. There are no significant additional working capital requirements pending at October 28, 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.

Results of Operations

Net Revenue

Fiscal Year 2007 vs 2006

Net revenues increased $700,000 from the $20.3 million reported during the first quarter of fiscal year 2006. The growth in net revenues was attributable to increased work in the private sector as well as work performed by two of the Company's subsidiaries, Walsh Environmental and E&E do Brasil. Walsh Environmental reported net revenues of $4.8 million during the first quarter of fiscal year 2007, up 33% from the $3.6 million reported in the prior year. The increase in Walsh Environmental is mainly due to higher revenues from its subsidiaries, Walsh Peru and Gustavson Associates. Gustavson Associates reported a dramatic growth in their core oil, gas and mineral business during the first quarter of fiscal year 2007, while Walsh Peru reported increased work in the mining and transportation sectors. Net revenues from commercial clients increased $1.1 million or 31% during the first quarter of fiscal year 2007 attributable to increased activity on energy contracts related to LNG (Liquefied Natural Gas) and wind power. E&E do Brasil reported net revenues of $1.0 million during the first quarter of fiscal year 2007, an increase of 100% over the first quarter of fiscal year 2006. Net revenues from federal clients decreased slightly as a result of the completion of the relief efforts on hurricane Katrina and Rita, although the Company continues to work in the Gulf Coast Region on projects to restore the wetlands that were damaged by the hurricanes. During the first quarter of fiscal year 2007, net revenues from state clients decreased $914,000 from the $5.1 million reported during the first quarter of the prior year. The decrease in state net revenues was attributable to decreased work levels on contracts in Florida, New York and Louisiana. Net revenues attributable to the Company's Superfund Technical Assessment and Response Team (START) contracts decreased $691,000 during the first quarter of fiscal year 2007. This decrease was due to the completion of the contract in EPA Region IX in April 2006.

Fiscal Year 2006 vs 2005

Net revenues for the first quarter of fiscal year 2006 were $20.3 million, up 6% from the $19.2 million reported in fiscal year 2005. The increase in net revenues was attributable to increased work on projects in the Gulf Coast associated with the relief efforts for hurricanes Katrina and Rita as well as an increase in work at one of the Company's subsidiaries, Walsh Environmental. The Company reported net revenues from these Gulf Coast contracts of $1.2 million during the first quarter of fiscal year 2006. Walsh Environmental reported net revenues of $3.6 million during the first quarter of fiscal year 2006, up 53% from the $2.3 million reported in the prior year. The increase in Walsh was due to higher revenues from both its subsidiary in Peru and Gustavson Associates. Net revenues from state clients increased $851,000 or 20% from the $4.3 million reported in the first quarter of fiscal year 2005. The increase in state net revenues was attributable to increased work levels on contracts mainly in Florida and New York. Net revenues from commercial clients increased $936,000 or 36% from the $2.6 million reported in the first quarter of fiscal year 2005. The increase in commercial net revenues was attributable to increased activity on various LNG contracts. Offsetting these increases were decreases in net revenues from the contracts in Saudi Arabia and Kuwait. These contracts in the Middle East decreased $1.3 million or 65% as these contracts approached completion. The contracts in the Middle East were substantially finished and ranged from 93% to 100% complete. Net revenues decreased $537,000 during the first quarter of fiscal year 2006 due to the completion of the Company's Superfund Technical Assessment and Response Team (START) contract in EPA Region III in June 2005. The two remaining START contracts were scheduled to end in December 2005, although an extension for up to three additional months was exercised on one of the remaining contracts. The Company closed its Analytical Services Center in Lancaster, N.Y. during the second quarter of the fiscal year 2005. As a result, ASC net revenues decreased $885,000 during the first quarter of fiscal year 2006.

Income From Continuing Operations Before Income Taxes and Minority Interest

Fiscal Year 2007 vs 2006

The Company's income from continuing operations before income taxes and minority interest was $1.4 million for the first quarter of fiscal year 2007 and 2006. However, gross profits increased during the first quarter of fiscal year 2007 as a result of the higher margin work. This was offset by an increase in administrative and indirect costs of $.9 million during the first quarter of fiscal year 2007, mainly attributable to increased staffing levels and increased business development costs worldwide. Interest income increased $86,000 from the $42,000 reported during the first quarter of fiscal year 2006 due to interest earned on cash held throughout the Company.

Fiscal Year 2006 vs 2005

The Company's income from continuing operations before income taxes and minority interest for the first quarter of fiscal year 2006 was $1.4 million, compared to the $303,000 of income reported in the first quarter of the prior year. This increase was due mainly to increased labor utilization as well as decreased indirect costs. This increase in labor utilization was mainly due to the increase in work on the Gulf Coast contracts. Indirect costs decreased $554,000 during the first quarter of fiscal year 2006 due to the Company's continued efforts to control costs. The closing of the ASC in the second quarter of fiscal year 2005 also assisted in the reduction of company wide indirect costs. Walsh Environmental reported operating income of $542,000 during the first quarter of fiscal year 2006, up 282% from the $142,000 reported in the first quarter of fiscal year 2005.

Income Taxes

The estimated effective tax rate for fiscal year 2007 was 36.4%, down from the 38.8% reported for fiscal year 2006. The decrease in the tax rate was due to changes in tax elections in foreign countries where the Company does business.

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 were 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 at a reduced amount through fiscal year 2007. The Company will accrue some benefits from the domestic manufacturing deduction, although such benefits are not material. Under the Act's repatriation provisions, the Company repatriated approximately $77,000 during the fourth quarter of fiscal year 2006.

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SAB 108 permits public companies to initially apply its provisions either by (i) restating prior financial statements as if the “dual approach” had always been used or (ii) recording the cumulative effect of initially applying the “dual approach” as adjustments to the carrying values of assets and liabilities as of August 1, 2006 with an offsetting adjustment recorded to the opening balance of retained earnings. The Company elected to record the effects of applying SAB 108 using the “cumulative effect” transition method. The SAB 108 cumulative adjustment resulted in a net reduction in equity of $302,000.

The Company applied the provisions of SAB 108 using the “cumulative effect” transition method during the first quarter of fiscal year 2007. When the provision of SAB 108 was applied, the impact on the Company’s financial statements was not material.

In June 2006, the FASB issued FIN 48, and interpretation of SFAS 109. FIN 48 clarifies the accounting for uncertainty in income taxes and reduces the diversity in current practice associated with the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return by defining a “more-likely-than-not” threshold regarding the sustainability of the position. The Company is required to adopt FIN 48 in the fiscal year ending July 31, 2008 and is currently evaluating the impact on its financial statements.

Critical Accounting Policies and Use of Estimates

Management's discussion and analysis of financial condition and results of operations discuss 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, 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.

Revenue Recognition

The Company’s revenues are derived primarily from the professional and technical services performed by its employees or, in certain cases, by subcontractors engaged to perform on under contracts we enter into with our clients. The revenues recognized, therefore, are derived from our ability to charge clients for those services under the contracts.

The Company employs three major types of contracts: “cost-plus contracts,” “fixed-price contracts” and “time-and-materials contracts.” Within each of the major contract types are variations on the basic contract mechanism. Fixed-price contracts generally present the highest level of financial and performance risk, but often also provide the highest potential financial returns. Cost-plus contracts present a lower risk, but generally provide lower returns and often include more onerous terms and conditions. Time-and-materials contracts generally represent the time spent by our professional staff at stated or negotiated billing rates.

Fixed price contracts are accounted for on the “percentage-of-completion” method, wherein revenue is recognized as project progress occurs. Time and material contracts are accounted for over the period of performance, in proportion to the costs of performance, predominately based on labor hours incurred. If an estimate of costs at completion on any contract indicates that a loss will be incurred, the entire estimated loss is charged to operations in the period the loss becomes evident.

The use of the percentage of completion revenue recognition method requires the use of estimates and judgment regarding the project’s expected revenues, costs and the extent of progress towards completion. The Company has a history of making reasonably dependable estimates of the extent of progress towards completion, contract revenue and contract completion costs. However, due to uncertainties inherent in the estimation process, it is possible that completion costs may vary from estimates.

Most of our percentage-of-completion projects follow a method which approximates the “cost-to-cost” method of determining the percentage of completion. Under the cost-to-cost method, we make periodic estimates of our progress towards project completion by analyzing costs incurred to date, plus an estimate of the amount of costs that we expect to incur until the completion of the project. Revenue is then calculated on a cumulative basis (project-to-date) as the total contract value multiplied by the current percentage-of-completion. The revenue for the current period is calculated as cumulative revenues less project revenues already recognized. The recognition of revenues and profit is dependent upon the accuracy of a variety of estimates. Such estimates are based on various judgments we make with respect to those factors and are difficult to accurately determine until the project is significantly underway.

For some contracts, using the cost-to-cost method in estimating percentage-of-completion may overstate the progress on the project. For projects where the cost-to-cost method does not appropriately reflect the progress on the projects, we use alternative methods such as actual labor hours, for measuring progress on the project and recognize revenue accordingly. For instance, in a project where a large amount of equipment is purchased or an extensive amount of mobilization is involved, including these costs in calculating the percentage-of-completion may overstate the actual progress on the project. For these types of projects, actual labor hours spent on the project may be a more appropriate measure of the progress on the project.

The Company’s contracts with the U.S. government contain provisions requiring compliance with the FAR, and the CAS. These regulations are generally applicable to all of the Company’s federal government contracts and are partially or fully incorporated in many local and state agency contracts. They limit the recovery of certain specified indirect costs on contracts subject to the FAR. Cost-plus contracts covered by the FAR provide for upward or downward adjustments if actual recoverable costs differ from the estimate billed. Most of our federal government contracts are subject to termination at the convenience of the client. Contracts typically provide for reimbursement of costs incurred and payment of fees earned through the date of such termination.

Federal government contracts are subject to the FAR and some state and local governmental agencies require audits, which are performed for the most part by the EPA Office of Inspector General (EPAOIG). The EPAOIG audits overhead rates, cost proposals, incurred government contract costs, and internal control systems. During the course of its audits, the EPAOIG may question incurred costs if it believes we have accounted for such costs in a manner inconsistent with the requirements of the FAR or CAS and recommend that our U.S. government financial administrative contracting officer disallow such costs. Historically, we have not experienced significant disallowed costs as a result of such audits. However, we can provide no assurance that the EPAOIG audits will not result in material disallowances of incurred costs in the future.

The Company maintains reserves for cost disallowances on its cost based contracts as a result of government audits. The Company recently settled fiscal years 1993 thru 1995 for amounts within the anticipated range. However, final rates have not been negotiated under these audits since 1995. The Company has estimated its exposure based on completed audits, historical experience and discussions with the government auditors. If these estimates or their related assumptions change, the Company may be required to record additional charges for disallowed costs on its government contracts.

Allowance for Uncollectible Accounts

We reduce our accounts receivable and costs and accrued earnings in excess of billings on contracts in process by establishing an allowance for amounts that, in the future, may become uncollectible or unrealizable, respectively. We determine our estimated allowance for uncollectible amounts based on management's judgments regarding our operating performance related to the adequacy of the services performed, the status of change orders and claims, our experience settling change orders and claims and the financial condition of our clients, which may be dependent on the type of client and current economic conditions that the client may be subject to.

Deferred Income Taxes

We use the asset and liability approach for financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances based on our judgments and estimates are established when necessary to reduce deferred tax assets to the amount expected to be realized in future operating results. Management believes that realization of deferred tax assets in excess of the valuation allowance is more likely than not. Our estimates are based on facts and circumstances in existence as well as interpretations of existing tax regulations and laws applied to the facts and circumstances, with the help of professional tax advisors. Therefore, we estimate and provide for amounts of additional income taxes that may be assessed by the various taxing authorities.

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 Company 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.

Inflation

Inflation has not had a material impact on the Company’s business because a significant amount of the Company’s contracts are either cost based or contain commercial rates for services that are adjusted annually.

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 October 28, 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, 2008 and 2009 respectively, as required by Section 404 of the Sarbanes-Oxley Act. Management continues to invest time on this endeavor and expects to continue its efforts through 2008. 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 October 28, 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 October 28, 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 rep

PART II
OTHER INFORMATION

Item 1. **Legal Proceedings**

From time to time, the Company is named a defendant in legal actions arising out of the normal course of business. The Company is not a party to any pending legal proceeding the resolution of which the management of the Company believes will have a material adverse effect on the Company's results of operations or financial condition or to any other pending legal proceedings other than ordinary, routine litigation incidental to its business. The Company maintains liability insurance against risks arising out of the normal course of business.

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 Plaintiff's 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 Plaintiff's 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 October 28, 2006:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	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
August 1, 2006 - October 28, 2006	5,099	$10.04	5,099	209,340

(1) The Company purchased 5,099 shares of its Class A common stock during the first quarter of its fiscal year ended July 31, 2007, pursuant to a 200,000 share repurchase program approved at the Board of Directors meeting held in January 2004. The purchases were made in open-market transactions. In February 2006, the Board of Directors authorized the repurchase of an additional 200,000 shares.

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 first quarter ended October 28, 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: December 12, 2006

/s/ Ronald L. Frank
Executive Vice President, Secretary, Treasurer
and Chief Financial Officer - Principal Financial
Officer