ECOLOGY & ENVIRONMENT INC
Form 10-Q
March 14, 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 January 28, 2006

[ ] 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 [ ]

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

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

At March 1, 2006, 2,421,800 shares of Registrant's Class A Common Stock (par value $.01) and 1,639,706 shares of Class B Common Stock (par value $.01) were outstanding.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

Ecology and Environment, Inc.
Consolidated Balance Sheet

	January 28, 2006	July 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 6,747,146	$ 7,872,116
Investment securities available for sale	96,844	120,533
Contract receivables, net	35,360,883	30,044,340
Deferred income taxes	5,017,152	5,016,908
Other current assets	1,354,883	2,005,426
Assets of discontinued operations held for sale	42,053	26,821
Total current assets	48,618,961	45,086,144
Property, building and equipment, net	7,749,443	7,967,883
Deferred income taxes	1,044,524	1,044,524
Other assets	2,974,557	1,878,984
Total assets	$60,387,485	$55,977,535
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 5,372,097	$ 5,979,588
Accrued payroll costs	5,305,156	3,837,435
Income taxes payable	69,027	36,122
Deferred revenue	141,343	231,611
Current portion of long-term debt and capital lease obligations	196,116	324,071
Other accrued liabilities	9,705,297	6,673,337
Liabilities of discontinued operations held for sale	277,532	290,950

Total current liabilities	21,066,568	17,373,114
Long-term debt and capital lease obligations	355,469	328,053
Minority interest	1,881,311	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 shares	25,188	25,143
Class B common stock, par value $.01 per share; authorized - 10,000,000 shares issued - 1,665,965 shares	16,660	16,693
Capital in excess of par value	17,555,262	17,622,172
Retained earnings	22,686,329	22,002,059
Accumulated other comprehensive income	(2,194,747)	(2,236,051)
Unearned compensation, net of tax	---	(158,993)
Treasury stock - Class A Common, 96,467 and 94,235 shares; Class B common, 26,259 and 26,259 shares, at cost	(1,004,555)	(987,199)
Total shareholders' equity	37,084,137	36,283,824
Total liabilities and shareholders' equity	$60,387,485	$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 D
	January 28, 2006	January 29, 2005	January 28, 2006
Gross revenues	$24,028,549	$21,171,630	$47,553,889
Less: direct subcontract costs	4,175,450	3,757,432	7,425,931
Net revenues	19,853,099	17,414,198	40,127,958
Cost of professional services and other direct operating expenses	10,114,074	9,270,569	20,380,136
Gross profit	9,739,025	8,143,629	19,747,822
Administrative and indirect operating expenses	6,164,572	5,899,155	12,156,206
Marketing and related costs	1,991,074	2,345,548	4,176,994
Depreciation	283,832	454,610	534,847

Long-lived asset impairment loss	---	1,644,000	---	
Income (loss) from operations	1,299,547	(2,199,684)	2,879,775	
Interest expense	(38,848)	(30,005)	(60,676)	
Interest income	55,042	7,926	97,404	
Other income	(194,928)	(165,604)	(359,455)	
Net foreign currency exchange gain	8,759	3,951	11,380	
Income (loss) from continuing operations before income taxes and minority interest	1,129,572	(2,383,416)	2,568,428	
Total income tax provision (benefit)	520,687	(789,217)	1,017,160	
Net income (loss) from continuing operations before minority interest	608,885	(1,594,199)	1,551,268	
Minority interest	47,766	(136,409)	(111,522)	
Net income (loss) from continuing operations	$ 656,651	$(1,730,608)	$ 1,439,746	$
Loss from discontinued operations	(50,953)	(42,577)	(111,012)	
Income tax benefit on loss from discontinued operations	22,656	10,553	45,959	
Net income (loss)	$ 628,354	$(1,762,632)	$ 1,374,693	$
Net income (loss) per common share: basic				
Continuing operations	$ 0.16	$ (0.44)	$ 0.36	$
Discontinued operations	(0.01)	(0.01)	(0.02)	
Net income (loss) per common share: basic	$ 0.15	$ (0.45)	$ 0.34	$
Net income (loss) per common share: diluted				
Continuing operations	$ 0.16	$ (0.44)	$ 0.36	$
Discontinued operations	(0.01)	(0.01)	(0.02)	
Net income (loss) per common share: diluted	$ 0.15	$ (0.45)	$ 0.34	$
Weighted average common shares outstanding: Basic	3,982,433	3,961,308	3,982,711	
Weighted average common shares outstanding: Diluted	3,986,591	3,961,308	3,984,255	

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

Ecology and Environment, Inc.
Consolidated Statement of Cash Flows
Unaudited

Six months ended

	January 28, 2006	January 29, 2005
Cash flows from operating activities:		
Net income	$ 1,374,693	$(1,757,491)
Net loss from discontinued operations, net of tax	(65,053)	(78,743)
Income (loss) from continuing operations	1,439,746	(1,678,748)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Impairment of long-lived assets	---	1,644,000
Depreciation	534,847	874,151
Amortization	70,074	97,151
Gain loss on disposition of property and equipment	5,554	6,237
Minority interest	316,411	447,797
Provision for contract adjustments	529,829	119,755
(Increase) decrease in:		
- contracts receivable, net	(5,846,372)	2,767,585
- other current assets	650,543	(65,982)
- other non-current assets	(1,095,573)	183,805
Increase (decrease) in:		
- accounts payable	(607,491)	(2,325,574)
- accrued payroll costs	1,467,721	(116,680)
- income taxes payable	32,905	247,840
- deferred revenue	(90,268)	(874,349)
- other accrued liabilities	3,031,960	802,757
Net cash provided by operating activities	439,886	2,129,745
Net cash used in discontinued operating activities (revised)	(93,703)	(100,700)
Cash flows provided by (used in) investing activities:		
Purchase of property, building and equipment, gross	(321,961)	(334,328)
Proceeds from maturity of investments	24,750	---
Payment for the purchase of bond	(1,671)	(1,438)
Net cash used in investing activities	(298,882)	(335,766)
Cash flows provided by (used in) financing activities:		
Dividends paid	(690,423)	(693,374)
Proceeds from debt	120,977	181,216
Repayment of debt	(221,516)	(208,971)
Distributions to minority partners	(427,644)	(109,970)
Net proceeds from issuance of common stock	8,700	1,812
Purchase of treasury stock	(4,035)	(432,686)
Net cash used in financing activities	(1,213,941)	(1,261,973)
Effect of exchange rate changes on cash and cash equivalents	41,670	5,188
Net increase (decrease) in cash and cash equivalents	(1,124,970)	436,494
Cash and cash equivalents at beginning of period	7,872,116	4,240,333

Cash and cash equivalents at end of period	$6,747,146	$4,676,827

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
	Class A		Class B		Excess
	Shares	Amount	Shares	Amount	Par Val
Balance at July 31, 2004	2,501,985	$25,021	1,681,304	$16,813	$17,592,
Net loss	---	---	---	---	--
Foreign currency translation reserve	---	---	---	---	--
Cash dividends paid ($.34 per share)	---	---	---	---	--
Unrealized investment gain, net	---	---	---	---	--
Conversion of common stock - B to A	12,000	120	(12,000)	(120)	--
Repurchase of Class A common stock	---	---	---	---	--
Stock options exercised	250	2	---	---	1,
Issuance of stock under stock award plan, net	---	---	---	---	38,
Amortization, net of tax	---	---	---	---	--
Forfeitures	---	---	---	---	(10,
Balance at July 31, 2005	2,514,235	$25,143	1,669,304	$16,693	$17,622,

	Accumulated Other Comprehensive Income	Unearned Compensation	Treasury Stock	
			Shares	Amo
Balance at July 31, 2004	$ (2,336,723)	$ (193,282)	87,749	$(694
Net loss	---	---	---	-
Foreign currency translation reserve	100,725	---	---	-
Cash dividends paid ($.34 per share)	---	---	---	-
Unrealized investment gain, net	(53)	---	---	-
Conversion of common stock - B to A	---	---	---	-
Repurchase of Class A common stock	---	---	62,500	(530
Stock options exercised	---	---	---	-
Issuance of stock under stock award plan, net	---	(134,971)	(33,531)	265
Amortization, net of tax	---	164,717	---	-
Forfeitures	---	4,543	3,776	(28
Balance at July 31, 2005	$ (2,236,051	$ (158,993)	120,494	$(987

	Common Stock Class A Shares	Common Stock Class A Amount	Common Stock Class B Shares	Common Stock Class B Amount	Capital Excess Par Val
Net income	---	---	---	---	-
Reclassification due to adoption of FAS 123R	---	---	---	---	(158
Foreign currency translation reserve	---	---	---	---	-
Cash dividends paid ($.17 per share)	---	---	---	---	-
Unrealized investment gain, net	---	---	---	---	-
Conversion of common stock - B to A	3,339	33	(3,339)	(33)	-
Repurchase of Class A common stock	---	---	---	---	-
Stock options exercised	1,200	12	---	---	8
Amortization, net of tax	---	---	---	---	83
Other	---	---	---	---	-
Balance at January 28, 2006	2,518,774	$25,188	1,665,965	$16,660	$17,555

	Accumulated Other Comprehensive Income	Unearned Compensation	Treasury Stoc Shares	Treasury Stoc Am
Net income	---	---	---	
Reclassification due to adoption of FAS 123R	---	158,993	---	
Foreign currency translation reserve	41,670	---	---	
Cash dividends paid ($.17 per share)	---	---	---	
Unrealized investment gain, net	(366)	---	---	
Conversion of common stock - B to A	---	---	---	
Repurchase of Class A common stock	---	---	500	
Stock options exercised	---	---	---	
Amortization, net of tax	---	---	---	
Other	---	---	1,732	(
Balance at January 28, 2006	$ (2,194,747)	$ ---	122,726	$(1,0

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 six months ended January 28, 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 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 amounted to $60,676 and $70,796 for the first six months of fiscal year 2006 and 2005, respectively. Cash paid (net refund received) for income taxes amounted to $681,685 and $(985,764) for the first six months of fiscal year 2006 and 2005, respectively.

j. Adoption of FASB 123(R)

The Company adopted FAS 123(R), Share-Based Payment, 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

	January 28, 2006	July 31, 2005
United States government		
Billed	$ 4,016,243	$ 2,418,683
Unbilled	3,540,162	3,801,977
	7,556,405	6,220,660
Industrial customers and state and municipal governments		
Billed	24,623,979	22,065,280
Unbilled	7,012,167	5,348,293
	31,636,146	27,413,573

Less allowance for contract adjustments	(3,831,668)	(3,589,893)
	$35,360,883	$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 $(362,511) at January 28, 2006 and $179,000 at July 31, 2005. Management anticipates that the January 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 $10.4 million and $8.5 million at January 28, 2006 and July 31, 2005, respectively. Within the above billed balances are contractual retainages in the amount of approximately $630,000 at January 28, 2006 and $713,000 at July 31, 2005. Management anticipates that the January 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 $1.4 million at January 28, 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 January 28, 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 January 28, 2006 the Company has incurred expense of $1,991,000 ($15,000 for the first six 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 January 28, 2006 and July 31, 2005, respectively, the Company had letters of credit outstanding totaling $2,277,500 and $2,373,602, respectively. The Company had no outstanding borrowings for working capital at January 28, 2006 and July 31, 2005.

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

4. Long-Term Debt and Capital Lease Obligations

Debt inclusive of capital lease obligations at January 28, 2006 and July 31, 2005 consist of the following:

	January 28, 2006	July 31, 2005
Various bank loans and advances at interest rates ranging from 5% to 14 1/2%	$ 362,184	$ 508,978
Capital lease obligations at varying interest rates averaging 12%	189,401	143,146
	551,585	652,124
Less: current portion of debt	(117,790)	(255,298)
current portion of lease obligations	(78,326)	(68,773)
Long-term debt and capital lease obligations	$ 355,469	$ 328,053

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

	January 28, 2006
February 2006 - January 2007	$ 196,116
February 2007 - January 2008	114,869
February 2008 - January 2009	99,233
February 2009 - January 2010	29,773
February 2010 - January 2011	23,246
Thereafter	88,348
	$ 551,585

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		Six Month
	1/28/06	1/29/05	1/28/06
Income (loss) from continuing operations available to common stockholders	$ 656,651	$(1,730,608)	$ 1,439,746
Loss from discontinued operations available to common stockholders	(28,297)	(32,024)	(65,053)
Total income (loss) available to common stockholders	628,354	(1,762,632)	1,374,693
`			
Weighted-average common shares outstanding (basic)	3,982,433	3,961,308	3,982,711
Basic earnings (loss) per share:			
Continuing operations	$ .16	$ (.44)	$ .36
Discontinued operations	(.01)	(.01)	(.02)
Total basic earnings (loss) per share	$ .15	$ (.45)	$ .34
Incremental shares from assumed conversion of stock options and restricted stock awards	4,158	---	1,544
Adjusted weighted-average common shares outstanding	3,986,591	3,961,308	3,984,255
Diluted earnings (loss) per share:			

Continuing operations	$ .16	$ (.44)	$ .36
Discontinued operations	(.01)	(.01)	(.02)
Total diluted earnings (loss) per share:	$ .15	$ (.45)	$ .15

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 six months ended January 29, 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 six months ended January 28, 2006 are as follows:

			Aquaculture		
	Consulting	Analytical	Continued	Discontinued	Elimi
Total consolidated net revenues	$40,093,110	$ -	$ 34,848	$ -	$
Depreciation expense	$ 528,519	$ -	$ 6,328	$ -	$
Segment profit (loss) before income taxes and minority interest	$ 2,607,811	$ -	$ (39,383)	$ (111,012)	$
Segment assets	$57,970,485	$2,100,000	$ 275,000	$ 42,000	$

Expenditures for long-lived assets, gross	$ 321,961	$ -	$ -	$ -	$

Geographic Information:

	Net Revenues (1)	Long-Lived Assets - Gross
United States	$34,968,958	$21,769,808
Foreign Countries	5,159,000	1,770,000

(1) Net revenues are attributed to countries based on the location of the customers. Net revenues in foreign countries includes $1.2 million in Kuwait.

Reportable segments for the six months ended January 29, 2005 are as follows:

			Aquaculture		
	Consulting	Analytical	Continued	Discontinued	Elimi
Net revenues from external customers	$34,769,051	$ 1,752,635	$ 50,924	$ -	$
Intersegment net revenues	527,711	-	-	-	(
Total consolidated net revenues	$35,296,762	$ 1,752,635	$ 50,924	$ -	$ (
Depreciation expense	$ 599,872	$ 267,950	$ 6,329	$ -	$
Segment profit (loss) before income taxes and minority interest (2)	$ 540,007	$(2,613,822)	$ (6,498)	$ (114,452)	$
Segment assets	$52,925,836	$ 5,014,000	$ 170,000	$ 40,000	$
Expenditures for long-lived assets, gross	$ 329,747	$ 4,581	$ -	$ -	$

Geographic Information:

	Net Revenues (1)	Long-Lived Assets - Gross
United States	$30,108,610	$25,656,369
Foreign Countries	6,464,000	551,000

(1) 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.
(2) Segment loss for the Analytical segment includes a pretax impairment loss of $1.6 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 in 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 $17,000,000.00. 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 contributed $346,000 ($439,000 increase from continuing operations and $93,000 decrease from discontinued operations) of cash during the first six months of fiscal year 2006 compared to a source of $1.9 million of cash reported in the prior year. The increased cash flow during the first half of fiscal year 2006 was mainly attributable to changes in other current assets, accrued payroll costs and other accrued liabilities. Other current assets decreased $651,000, accrued payroll increased $1.5 million, and other accrued liabilities increased $3.0 million. Accounts receivable increased due to an increase in work volume during the first half of fiscal year 2006 as well as a temporary slow down in collections. Other non-current assets increased $1.1 million and accounts payable decreased $607,000 during the first half of fiscal year 2006. The Company purchased $322,000 of new capital equipment compared to depreciation charges of $535,000 during the first six months of fiscal year 2006.

Financing activities consumed $1.2 million in cash during the first half 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. Long-term debt and capital lease obligations decreased $101,000 mainly due to the repayment of $134,000 in loans held by the Walsh Environmental subsidiary, Walsh Peru. Distributions of $428,000 were made to minority partners during the first six months of fiscal year 2006.

The Company maintains an unsecured line of credit of $20.0 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. The Company has outstanding letters of credit (LOC's) at January 28, 2006 in the amount of $2.3 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 $31.2 million of line still available at January 28, 2006. There are no significant additional working capital requirements pending at January 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.

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	$ 362,184	$ 117,790	$ 110,904	$ 45,142	$ 88,348
Capital Lease Obligations	189,401	78,326	103,198	7,877	---
Operating Lease Obligations (1)	4,259,830	1,799,286	1,838,454	590,319	31,772
Other Liabilities (2)	141,343	141,343	---	---	---
Total	$4,952,758	$2,136,745	$2,052,556	$643,338	$120,119

(1) Represents rents for office and warehouse facilities
(2) Consists of Deferred Revenue on the Kuwait contract

Results of Operations

Net Revenue

Fiscal Year 2006 vs 2005

Net revenues for the second quarter of fiscal year 2006 were $19.9 million, up 14% from the $17.4 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 two of the Company's subsidiaries, Walsh Environmental and E&E do Brasil. The Company reported net revenues from these Gulf Coast contracts of $3.5 million during the second quarter of fiscal year 2006. Walsh Environmental reported net revenues of $3.4 million during the second quarter of fiscal year 2006, up 27% from the $2.6 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. E&E do Brasil reported net revenues of $721,000 during the second quarter of fiscal year 2006, up 88% from the $383,000 reported in the prior year. 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 57%. The contracts in Saudi Arabia are 100% complete and the contracts in Kuwait are approaching completion. Net revenues decreased $642,000 during the second quarter of fiscal year 2006 due to the completion of both the Company's Superfund Technical Assessment and Response Team (START) contract in EPA Region III in June 2005 and EPA Region X in December 2005. The remaining START contract in EPA Region IX was scheduled to end in December 2005, however the EPA extended work through the middle of April 2006. New START contracts in EPA Regions IX and X were rebid in September 2005. The Company was awarded the new START contract in EPA Region X in December 2005. If all of the option years are exercised, the new START contract could total $49 million over seven years. However, the Company was notified in February 2006 that it was unsuccessful in winning the new START contract in EPA Region IX. The START Region IX contract contributed net revenues of $1.8 million during the first six months of fiscal year 2005 and $4.4 million in fiscal year 2005. 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 $867,000 during the second quarter of fiscal year 2006.

Fiscal Year 2005 vs 2004

Net revenues for the second quarter of fiscal year 2005 were $17.4 million, down 17% from the $21.0 million reported in the second 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 decreased $4.3 million or 70% due to winding down activity on these contracts. Percentage of completion on contracts in the Middle East range from 85% to 94% and it is anticipated that most of the contracts will be substantially completed by the end of fiscal year 2005. Net revenues from commercial clients increased $860,000 or 43% from the $2.0 million reported in the second quarter of fiscal year 2004. Net revenues from state clients increased $416,000 or 13% from the $3.3 million reported in the second quarter of fiscal year 2004. Net revenues from Department of Defense (DOD) clients decreased $606,000 or 21% from the $2.9 million reported in the second quarter of fiscal year 2004. The decrease in DOD net revenues is attributable to reduced work levels on various United States Army Corps of Engineers (USACE) contracts. Walsh Environmental reported net revenues of $2.6 million for the second quarter of fiscal year 2005, an increase of $885,000 from the $1.7 million reported in the second 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 $447,000 during the second quarter of fiscal year 2005.

Income From Continuing Operations Before Income Taxes and Minority Interest
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Fiscal Year 2006 vs 2005

The Company's income from continuing operations before income taxes and minority interest for the second quarter of fiscal year 2006 was $1.1 million, compared to the $2.4 million loss reported in the second quarter of the prior year. This increase was due mainly to increased utilization and the closing and impairment of the Analytical Services Center (ASC) in January 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. Work on these contracts is scheduled to continue at a reduced rate through the end of April 2006. Though this will curtail the hurricane response effort, new issues may arise due to damage to wetlands and other coastal area impacts. The Company is aggressively marketing these opportunities. With net revenues and utilization increasing during the quarter, management continued to control indirect costs and maintain them at a level consistent with the second quarter of fiscal year 2005. The Company's decision to close the ASC resulted in a total net loss of $1.6 million or $.39 per share in the second 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 second quarter of fiscal year 2005 was $2.4 million, down from the $1.9 million of income reported in the second quarter of the prior year. This decrease was mainly attributable to reduced net revenues during the second quarter of fiscal year 2005 along with the Company's decision to close its Analytical Services Center (ASC) in Lancaster, N.Y. which resulted in a pretax impairment loss of $1.6 million. This impairment was recognized on the value of the facility as well as the analytical equipment used therein. 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 were the basis for this decision. The ASC reported an operating loss of $614,000 for the second quarter of fiscal year 2005. Remaining backlog was completed and testing at the ASC ceased as of February 18, 2005. The majority of the staff was laid off as of that date. Severance costs and other miscellaneous closing costs are estimated to be in the range of $100,000-$200,000 and were expensed as incurred. Administrative and indirect costs increased $729,000 or 14% during the second quarter of fiscal year 2005. This increase was attributable to reduced staff utilization, $152,000 increase in expenses from E & E do Brasil due to a larger office space and administrative staff, 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 $100,000 in costs associated with the compliance work for the Sarbanes-Oxley Act during the second quarter of fiscal year 2005. Gustavson Associates, acquired by Walsh Environmental in May of fiscal year 2004, reported $144,000 in administrative and indirect costs during the quarter.

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.

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 has completed its evaluation of the repatriation provisions under the Act and has determined that no dividends will be repatriated under the terms of the Act.

Recent Accounting Pronouncements

The Company adopted FAS 123(R), Share-Based Payment, 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.

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 State 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 is expected to be completed in fiscal year 2006 and it is not expected to significantly impact 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 January 28, 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%.

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 January 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, 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 January 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 29, 2005, 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 in 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 $17,000,000.00. 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 January 28, 2006:

Period	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
December 2005	500	$8.00	500	16,534
Total	500	$8.00	500	16,534

(1) The Company purchased 500 shares of its Class A common stock during the second 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. Purchases were 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

(a) The Annual Meeting of Shareholders of the Registrant was held on January 19, 2006.

(b) At such meeting, the following persons were elected as directors by the holders of Class A Common Stock: Timothy Butler and Ross M. Cellino; and the following directors by the holders of Class B Common Stock: Gerhard J. Neumaier, Ronald L. Frank, Frank B. Silvestro, Gerald A. Strobel, Gerard A. Gallagher, Jr. and Harvey J. Gross.

(c) With respect to each Director nominee, the following votes were cast:

(i) Class A Directors

	For	Withheld	Abstain
Ross M. Cellino	1,897,121	238,637	-0-
Timothy Butler	2,125,260	10,498	-0-

(ii) Class B Directors

	For	Withheld	Abstain
Gerhard J. Neumaier	1,340,107	-0-	-0-
Ronald L. Frank	1,340,107	-0-	-0-
Frank B. Silvestro	1,340,107	-0-	-0-
Gerald A. Strobel	1,340,107	-0-	-0-
Gerard A. Gallagher, Jr.	1,340,107	-0-	-0-
Harvey J. Gross	1,340,107	-0-	-0-

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 second quarter ended January 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.

Dated: March 14, 2006

/s/ RONALD L. FRANK

RONALD L. FRANK
EXECUTIVE VICE PRESIDENT, SECRETARY,
TREASURER AND CHIEF FINANCIAL OFFICER -
PRINCIPAL FINANCIAL OFFICER