ECOLOGY & ENVIRONMENT INC
Form 10-K
November 14, 2012

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

FORM 10-K

þ	Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the fiscal year ended July 31, 2012
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 (State or other jurisdiction of incorporation or organization)	16-0971022 (IRS Employer Identification Number)
368 Pleasant View Drive, Lancaster, NY (Address of principal executive offices)	14086 (Zip code)

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

Securities registered pursuant to section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock par value $.01 per share	NASDAQ Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No þ

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined by Rule 12b-2 of the Exchange Act).

Large accelerated filer		Accelerated filer	
Non-accelerated filer (Do not check if a smaller reporting company)		Smaller reporting company	þ

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

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The aggregate market value of the Class A Common Stock held by non-affiliates as of January 31, 2012 (the last business day of the registrant's most recently completed second fiscal quarter) was $42,638,845. This amount is based on the closing price of the registrant's Class A Common Stock on the National Association of Securities Dealers Automated Quotations (NASDAQ) Stock Market for that date. Shares of Class A Common Stock held by the executive officers and directors of the registrant are not included in this computation.

As of September 30, 2012, 2,600,144 shares of the registrant's Class A Common Stock, $.01 par value (the "Class A Common Stock") were outstanding, and 1,643,773 shares of the registrant's Class B Common Stock, $.01 par value (the "Class B Common Stock") were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Registration Statement on Form S-1, as amended by Amendment Nos. 1 and 2 (Registration No. 33-11543) as well as portions of the Company's Form 10-K for fiscal years ended July 31, 2002, 2003, 2004, 2010 and 2011 are incorporated by reference in Part IV of this Form 10-K.

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PART 1

Item 1. Business

General

Ecology and Environment, Inc., ("E & E" or "Company") is a global broad-based environmental consulting firm whose underlying philosophy is to provide professional services worldwide so that sustainable economic and human development may proceed with minimum negative impact on the environment. The Company's staff is comprised of individuals representing 85 scientific, engineering, health, and social disciplines working together in multidisciplinary teams to provide innovative environmental solutions. The Company has completed more than 50,000 projects for a wide variety of clients in 122 countries, providing environmental solutions in nearly every ecosystem on the planet.

The Company was incorporated in February 1970 and its principal offices are located at 368 Pleasant View Drive, Lancaster, New York, and its telephone number is 716-684-8060.

START Contracts

In December 2005, the United States Environmental Protection Agency (EPA) awarded the Company a contract known as START III to provide continuing support to the EPA Region 10. This is a combination time and materials/cost plus contract with a base term of three years plus options for an additional four years which have been exercised through 2013. Total maximum value is $49.0 million over the seven years. As of July 31, 2012 the Company has recognized revenue of approximately $33.4 million under this contract.

In May 2008, the EPA awarded the Company a second START contract to provide technical support in Region 9 which covers the four state area of California, Nevada, Arizona, Hawaii, and U.S. territories in the Pacific. The contract has a two year base period and two 18 month option periods which have been exercised through 2013. With all option years and access to an increased capacity pool to support EPA in the event of an incident of national significance, the maximum value of the contract is $64.0 million over the five year period. As of July 31, 2012, the Company has recognized revenue of approximately $22.0 million under this contract.

These contracts contain termination provisions under which the EPA may, without penalty, terminate the contract upon written notice to the Company. In the event of termination, the Company would be paid only termination costs in accordance with the contract. The Company has never had a contract terminated by the EPA.

Task Order Contracts

The Company has numerous task order contracts with state and federal governmental agencies which contain indefinite order quantities and/or option periods ranging from two to ten years. The maximum potential revenues included in these contracts is approximately $160.3 million.

Environmental Consulting Services

The Company's staff is comprised of individuals with advanced degrees representing scientific and engineering disciplines working together in multidisciplinary teams to provide innovative solutions. E&E's staff includes engineers; geologists, hydrologists, and other physical scientists; environmental and urban planners; and specialists in the life, health, and social sciences. The Company has rendered consulting services to commercial and government clients in a variety of service sectors, such as the following:

Energy

New technology and increasing demand and accountability for more sustainable use of resources presents complex challenges to energy developers and providers. To keep pace with escalating energy needs worldwide, E&E supports all phases of energy development by conducting critical feature/fatal flaw analyses, environmental impact assessments, feasibility and siting studies, and permitting. In response to the increasing monetary, environmental, and social costs of energy, the Company promotes the use of clean energy technologies in an age where energy infrastructure development is critical to world economic growth and improving quality of life.

- Electric Transmission

To keep pace with increased energy needs, as well as support the needed backup to the world's aging critical infrastructure, E&E works with energy industry clients through all aspects of development, generation, and transmission. The Company performs site screening and alternative selection; analyzes environmental impacts; and acquires needed certificates, approvals, and permits for electric transmission facilities worldwide to bring renewable energy from its source to regional population centers.

- Pipelines

E & E has provided the pipeline industry with environmental support for over 35 years. The Company's extensive experience includes route selection; field support and survey, such as wetland delineation and endangered species surveys; regulatory compliance and permit support, including preparation of erosion control plans for submission to state agencies, Section 10 of the Rivers and Harbors Act and Section 404 of the Clean Water Act permits for submission to the United States Army Corps Engineers, and Federal Energy Regulatory Commission (FERC) 7(c) filings; and preparation of environmental monitoring and restoration plans, including development of quality assurance specifications.

- Unconventional Natural Gas Development

Recent advances in gas drilling techniques have opened "shale gas" reserves for development. E & E has positioned itself to respond to industry demands for permitting well development and take away pipelines required to move shale gas to market.

- Offshore Energy

The need to incorporate environmental and social considerations into the planning, design, construction, and operation of offshore energy infrastructure is essential considering key issues such as the expanding use of marine locations for energy production/transportation and the use conflict and impacts on critical resources such as marine mammals, commercial and recreational fisheries, seafood safety, water quality, and other recreational uses. E & E supports projects involving oil and gas exploration and production; subsea pipelines; deepwater oil ports; liquefied natural gas (LNG) import terminals; and, most recently, projects involving components of offshore wind, wave, current, and tidal power subsea electrical transmission. The Company prepares third-party EISs/EIAs, Deepwater Port applications, and FERC ERs; performs siting/feasibility studies, plankton surveys, marine mammal acoustic impact modeling, dredging impact studies, coastal zone consistency evaluations, risk assessments, and marine vessel traffic studies; and develops and implements comprehensive plans for stakeholder engagement/outreach.

- Wind Energy

The worldwide desire to develop alternative energy has sparked explosive growth in the wind energy market. Although wind power is widely regarded as a low impact, renewable energy source, public concerns over land use, visual quality, noise, and biological impacts sometimes emerge, and environmental impacts must be addressed to obtain permits. E & E attends to these concerns by providing strategic consulting in all facets of environmental permitting and compliance; environmental evaluation; T/E species, avian, and bat surveys; visual resources, noise aesthetics, archaeological, and land use studies. The Company's civil engineering support services include design of structure foundations and roadways and coordination for gathering line placement, substation, and transmission line requirements. In addition, the Company recognizes that public outreach efforts are an important component of any wind power project and, therefore, maintains in-house public relations experts and graphic artists, who work as an integrated team to design outreach programs geared toward landowners and officials.

- Solar Energy

Sustained growth in solar energy development will be increasingly important as we look to supply clean domestic power in the coming years. Developers and providers are facing complex challenges as new technologies emerge and the demand for new renewable energy increases. E & E supports all phases of solar energy development by providing strategic consulting services. We conduct environmental impact assessments, feasibility and siting studies, permitting and due diligence audits; prepare environmental documentation and permit applications; and identify and track state and federal compliance issues affecting facility development and operation.

- Geothermal Energy

Geothermal energy as a source of base load power is widely recognized as a clean and safe alternative to nonrenewable energy sources. However, construction of a geothermal power plant comes with the potential for adverse effects on land

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stability within the region surrounding the project, as well as other socioeconomic concerns. E & E offers planning and consulting services to address environmental and socioeconomic impacts associated with geothermal energy development.

- Nuclear Energy

With the focus on reduced carbon emissions, there is a renewed interest in nuclear power worldwide. The U. S. Nuclear Regulatory Commission (NRC) has received over 20 early site permits or combined license applications to build nuclear power plants and over half of the operating plants have applied for license extensions. E & E is helping clients through the environmental hurdles of the licensing process by performing siting studies and environmental investigations and preparing environmental reports.

- Carbon Capture and Sequestration

The ability to address carbon dioxide (CO2) impacts is one of the most critical and difficult environmental issues facing our power-generation clients today. E & E assists its clients in navigating the deregulated power industry and expedite the permitting process with a thorough understanding of the environmental and regulatory requirements (federal and state) associated with carbon capture and sequestration (CCS), including geologic investigation, deep well construction, power plant and pipeline sitting and construction and long-term CO2 storage.

Natural Resource Management/Restoration

E & E's approach to restoration design focuses on mimicking natural systems in form, function, and process—developing practical strategies for sustainable design and uplift. The Company conceives and designs environmental restoration projects that restore affected habitat through the efficient and innovative integration of biological and engineering solutions. E & E assists its clients in meeting their goals through the application of restoration measures to mine reclamation, contaminated sediment remediation, land development strategies, recreational planning, comprehensive watershed planning, and threatened and endangered species protection.

Green Programs

E & E seeks to take actions against greenhouse gases (GHGs), global warming, and climate change, both within our internal operations and throughout our line of associated services. The Company's environmental sustainability services and green programs include an array of offerings to increase eco-efficiency and environmental performance while reducing operating costs. E & E offers knowledge-based consulting services to assist its clients in establishing an environmental focus and incorporating green elements into their organization's culture. The Company's approach to addressing these issues applies to a variety of organizations, including corporations, government agencies, colleges and universities, school districts, offices buildings, healthcare facilities, military bases, hotels, high-end homes, retail stores, and the hospitality/tourism industry.

- GreenRide®

One of the chief sources of GHG emissions is vehicular traffic. E & E's innovative Web-based rideshare application reduces automobile dependency and promotes use of alternative transportation. The program was designed by E & E to encourage carpooling as a method of improving air quality, reducing traffic congestion, and conserving fuel. GreenRide helps users find carpool partners by searching for other users who live nearby and have similar schedules and commuting needs. To date, there are 60 GreenRide® systems installed in 22 states, making our technology available to over 39 million U.S. residents.

- Green Buildings

The Company provides consulting services to builders and developers relating to understanding environmental sustainability concepts within the context of an office building, school, hospital, or college/university setting. Saving energy and natural resources is a critical issue from an operational-cost standpoint, and is often just as important in terms of maintaining a positive public image. E & E supports the United States Green Building Council's LEED® programs by offering certification application assistance and green building project planning and consulting. The Company's energy consultants develop methods for incorporating sustainable practices into daily operations, helping building managers track progress, quantify reduction in energy usage and solid waste, improve indoor air quality and landscape ecology, and develop programs for composting/recycling and transportation. E & E's Green Building Program typically saves clients between 10 to 30 percent on energy and related costs each year—savings that will more than pay for the cost of the program and the positive environmental impacts that result.

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In 2012, E & E's global corporate headquarters building, one of the oldest LEED® Platinum buildings in the world, continued to realize reduced energy consumption and substantial cost savings through facility and operational improvements combined with a program for employee awareness and involvement.

- Energy Efficiency and GreenMeter®

The Company's Certified Energy Managers and sustainability professionals help our clients achieve significant reductions in energy and other resource consumption through both innovative design and improved operations of buildings and communities.

GreenMeter, E & E's dynamic energy-tracking and management system, is designed for schools, businesses, universities, and commercial buildings and offers a unique, easy-to-use approach to collecting, storing, and displaying near real-time energy consumption. The application is coupled with analysis and solutions, helping to further decrease a building's costs associated with energy consumption.

- GHG Inventory and Verification

E & E provides strategic guidance to help guide our clients through the shifting carbon landscape. The Company offers expertise in GHG and climate change technical support, financial analysis, strategy and policy development, health and risk assessment, and legal analysis. E & E is an approved provider of technical assistance and certification services for California Climate Action Registry (CCAR), an approved aggregator of emission offsets for the Chicago Climate Exchange (CCX), and a founding member of The Climate Registry (TCR).

- Climate Action Planning

Volatile energy markets, limited natural resources and climate change are revolutionizing the way we build and operate the places in which we live and work. There is an urgent need to quantify human impacts so that sustainability planning can control and mitigate the effects of the built environment. E & E addresses this through the identification of major effects of climate change and provision of strategies to mitigate those effects.

Planning

- Environmental Planning and Assessment

E & E has provided environmental evaluation services to both the government and private sectors for more than 35 years, helping clients to meet the requirements of the National Environmental Policy Act (NEPA) and other state environmental laws. The Company evaluates and develops methods to avoid or mitigate potential environmental impacts of a proposed project and to help ensure that the project complies with regulatory requirements. E & E's services include air and water quality analysis, terrestrial and aquatic biological surveys, threatened and endangered species surveys and wetland delineations, social economic studies, transportation analyses and land use planning. In addition, the Company's stakeholder engagement/public participation capabilities and resources ensure project success through completion.

- Military Master Planning

In response to the advances seen in military master planning under taken by the Department of Defense (DOD) over the past few years, E & E has developed a team of experienced professionals in the areas of real property master planning, military programming, geospatial data and systems support, database management, and water resources planning. Through the Company's experience with modern military facility planning, E & E develops technologically advanced military master planning tools by leveraging the latest in GIS and information technology. The Company assists DOD installations in reducing their environmental footprint while sustaining mission requirements and maintaining positive relationships with the surrounding communities.

Emergency Planning and Management

Recent events around the world involving terrorism, bioterrorism, and natural disasters have raised the concern for public health and safety as well as environmental protection. E & E provides logistical support, emergency response/management services, and comprehensive planning to support businesses and state, county, and municipal governments in all phases of incident management, including preparedness, mitigation, response, and recovery. In providing these multifaceted services, the Company determines local

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vulnerabilities/hazards, the in-place resources/assets to address those hazards, and the thoroughness and shortcomings of existing emergency management plans—all in the context of applicable state and federal laws and regulations. E & E draws upon its understanding of and real-life experience using guidelines such as the National Response Plan (NRP), National Incident Management System (NIMS), Homeland Security Exercise and Evaluation Program (HSEEP), and Hospital Emergency Incident Command System (HICS) to support businesses, state government agencies, and communities in their emergency planning/preparedness and response activities.

Hazardous Material Services

E & E has conducted hazardous waste site evaluations throughout the United States, providing site investigation, engineering design, and operation and maintenance for a wide range of industrial and governmental clients. The Company inventories and collects sample materials on site and then evaluates waste management practices, potential off-site impacts, and liability concerns. E & E then designs, implements, and monitors associated cleanup programs. The Company's field investigation services primarily involve the development of work plans, health and safety plans, and quality assurance/quality control plans to govern and conduct field investigations to define the nature and extent of contaminants at a site. After field investigation services have been completed and the necessary approvals obtained, the Company's engineering specialists develop plans and specifications for remedial cleanup activities. This work includes development of methods and standard operating procedures to assess contamination problems; and to identify, develop, and design appropriate pollution-control schemes. Alternative cleanup strategies are evaluated and conceptual engineering approaches are formulated. The Company also provides supervision of actual cleanup or remedial construction work performed by other contractors.

International

With over 40 years' experience providing the above-listed services on a worldwide level, the Company now has partners in over 30 countries and has completed more than 50,000 major environmental assignments in 122 countries worldwide. With an understanding of cultural, political, economic, operational, and legal factors that influence the solution to a given environmental problem, E & E aids international governments and lending institutions in their efforts to advance institutional systems for environmental management. The Company has completed assignments involving environmental assessment; management and financial planning; institutional strengthening and standards development; water supply and development; wastewater treatment; and solid waste project construction supervision. More recently, issues of public health, sustainability, and social and economic development have been added to that portfolio.

Regulatory Background

The United States Congress and most state legislatures have enacted a series of laws to prevent and correct environmental problems. These laws and their implementing regulations help to create the demand for the multidisciplinary consulting services offered by the Company. The principal federal legislation and corresponding regulatory programs which affect the Company's business are as follows:

- The National Environmental Policy Act ("NEPA")

NEPA generally requires that a detailed environmental impact statement ("EIS") be prepared for every major federal action significantly affecting the quality of the human environment. With limited exceptions, all federal agencies are subject to NEPA. Most states have EIS requirements similar to NEPA. The Company frequently engages in NEPA related projects (or state equivalent) for both public and private clients.

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The Comprehensive Environmental Response, Compensation, And Liability Act Of 1980, As Amended ("CERCLA," "Superfund" or the "Superfund Act")

CERCLA is a remedial statute which generally authorizes the federal government to order responsible parties to study and clean up inactive hazardous substance disposal sites, or, to itself undertake and fund such activities. This legislation has four basic provisions: (i) creation of an information gathering and analysis program; (ii) grant of federal authority to respond to emergencies associated with contamination by hazardous substances, and to clean up sites contaminated with hazardous substances; (iii) imposition of joint, several, and strict liability on persons connected with the treatment or disposal of hazardous substances which results in a release or threatened release into the environment; and (iv) creation of a federally managed trust fund to pay for the clean up and restoration of sites contaminated with hazardous substances when voluntary clean-up by responsible parties cannot be accomplished.

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- The Resource Conservation And Recovery Act Of 1976 (“RCRA”)

RCRA generally provides “cradle to grave” coverage of hazardous wastes. It seeks to achieve this goal by imposing performance, testing and record keeping requirements on persons who generate, transport, treat, store, or dispose of hazardous wastes. The Company assists hazardous waste generators in the storage, transportation and disposal of wastes; prepares permit applications and engineering designs for treatment, storage and disposal facilities; designs and oversees underground storage tank installations and removals; performs corrective measure studies and remedial oversight at RCRA regulated facilities; and performs RCRA compliance audits.

- Clean Air Act

In 1990, comprehensive changes were made to the Clean Air Act, which fundamentally redefined the regulation of air pollutants. The Clean Air Act Amendments of 1990 created a flurry of federal and state regulatory initiatives and industry responses which require the development of detailed inventories and risk management plans, as well as the acquisition of facility wide, rather than source specific, air permits. Complementary changes have also been integrated into the RCRA Boilers and Industrial Furnace (“BIF”) regulatory programs calling for upgraded air emission controls, more rigorous permit conditions and the acquisition of permits and/or significant permit modifications. The Company assists public and private clients in the development of air permitting strategies and the preparation of permit applications. E & E also prepares the technical studies and engineering documents (e.g., air modeling, risk analysis, design drawings) necessary to support permit applications.

- Safe Drinking Water Act of 1996 (“SDWA”) And Clean Water Act (“CWA”)

The SDWA and regulatory changes under the CWA work together in order to ensure that the public is provided with safe drinking and recreational waters by utilizing watershed approaches and applying similar principles (Total Maximum Daily Load, National Pollution Discharge Elimination System, Source Water Assessment Program, Storm Water Program). Thus, they supplement and help one another more effectively reach each other's goals. The Company assists public and private clients in developing and establishing pollution prevention programs, assisting clients in monitoring ground, waste and stormwater systems, and helping clients with water permitting and compliance issues.

- Other

The Company’s operations are also influenced by other federal, state, and international laws and regulations protecting the environment. In the U.S. market, other regulatory rules and provisions that influence Company operations, in addition to those discussed above, are the Atomic Energy Act (“AEA”), and the Oil Pollution Control Act (“OPA”). Examples of services provided by the Company as a result of these laws include the development of spill prevention control and emergency prevention procedures, as well as countermeasure plans for various facilities potentially affecting human health and the environment. Related laws such as the Occupational Safety and Health Act ("OSHA"), which regulates exposures of employees to toxic chemicals and other physical agents in the workplace, also have a significant impact on E & E operations. An example is the process safety regulation issued by the Occupational Safety and Health Administration which requires safety and hazard analysis and accidental release contingency planning activity to be performed if certain chemicals are used in the work place.

Internationally, since many overseas markets remain “undeveloped” when compared with that of the United States and other western countries, the Company’s expanding operations in these markets are primarily influenced by environmental laws focusing on infrastructure, development, and planning related activities.

Potential Liability and Insurance

The Company's contracts generally require it to maintain certain insurance coverages and to indemnify its clients for claims, damages or losses for personal injury or property damage relating to the Company's performance of its duties unless such injury or damage is the result of the client's negligence or willful acts. Currently, the Company is able to provide insurance coverage to meet the requirements of its contracts, however, certain pollution exclusions apply. Historically, the Company has been able to purchase an errors and omissions insurance policy that covers its environmental consulting services, including legal liability for pollution conditions resulting therefrom. The policy is a claims made policy. Where possible, the Company requires that its clients cross-indemnify it for asserted claims. There can be no assurance, however, that any such agreement, together with the Company's general liability insurance and errors and omissions coverage will be sufficient to protect the Company against any asserted claim.

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Market and Customers

The Company’s revenues originate from federal, state and local governments, domestic private clients, and private and governmental international clients.

The Company’s worldwide marketing efforts are conducted by its marketing group located at its headquarters, its regional offices, and its international subsidiaries. E & E markets its services to existing and potential governmental, industrial, and engineering clients. The Company closely monitors government contract procurements and responds to requests for proposals requiring services provided by the Company. The marketing group also monitors government regulation and other events that may generate new business by requiring governments and industrial firms to respond to new regulatory actions. The marketing group is supported by E & E’s technical staff which is responsible for preparing technical proposals that are customarily delivered with the Company’s bid for a project. The Company participates in industrial trade shows and professional seminars relating to its business.

Backlog

The Company's firm backlog of uncompleted projects and maximum potential revenues from indefinite task order contracts, at July 31, 2012 and 2011 were as follows:

	(Millions of $)	
	2012	2011
Total firm backlog	$ 81.2	$ 89.1
Anticipated completion of firm backlog in next twelve months	$ 61.8	$ 73.9
Maximum potential gross revenues from task order contracts	$ 160.3	$ 200.3

This backlog includes a substantial amount of work to be performed under contracts which contain termination provisions under which the contract can be terminated without penalty upon written notice to the Company. The likelihood of obtaining the full value of the task order contracts cannot be determined at this time.

Competition

E & E is subject to competition with respect to each of the services that it provides. No entity, including the Company, currently dominates the environmental services industry and the Company does not believe that one organization has the capability to serve the entire market. Some of its competitors are larger and have greater financial resources than the Company while others may be more specialized in certain areas. E & E competes primarily on the basis of its reputation, quality of service, expertise, and price.

Employees

As of July 31, 2012, the Company, including subsidiaries, had approximately 1,175 employees. The majority of the employees hold bachelor's degrees and/or advanced degrees in such areas as chemical, civil, mechanical, sanitary, soil, structural and transportation engineering, biology, geology, hydrogeology, ecology, urban and regional planning and oceanography. The Company's ability to remain competitive will depend largely upon its ability to recruit and retain qualified personnel. None of the Company's employees are represented by a labor organization.

Corporate Governance / Security Exchange Rules

The Company's shares of Class A Common Stock are listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) Stock Market. NASDAQ requires all of its listing companies to be in compliance with NASDAQ's standards of corporate governance set forth in the NASDAQ Marketplace Rules (NASDAQ CG Rules). The Company has certified to the NASDAQ that it is in compliance with the NASDAQ CG Rules except for those NASDAQ CG Rules relating to the Director Nominations Process, the Compensation of Officers and Board Compensation. For these items, the Company relied upon the "controlled company" exception found in the NASDAQ CG Rules. A "controlled company" is a listing company where more than 50 percent of the voting power of the listing company is in the control of a group. The Company believes that a group, consisting of Messrs. Neumaier, Silvestro, Frank and Strobel and members of their families, now holds more than 50 percent of the voting power of the Company and that, therefore, the Company is a "controlled company" for purposes of the NASDAQ CG Rules.

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The Board of Directors will consider nominees for Directors recommended by shareholders. Shareholders wishing to recommend a director candidate for consideration by the Board of Directors can do so by writing to the Secretary of Ecology and Environment, Inc., 368 Pleasant View Drive, Lancaster, New York, 14086; giving the candidate's name, biographical data and qualifications. Any such notice of recommendation should be accompanied by a current resume of the individual and a written statement from the individual of his or her consent to be named as a candidate and, if nominated and elected, to serve as a director. Nominations much be received at least 60 days prior to the annual shareholders meeting.

In evaluating candidates, the Board considers the entirety of each candidate's credentials to ensure that the Board consists of individuals who collectively provide meaningful counsel to management. The Board does not maintain a specific diversity policy. It believes that diversity is an expansive attribute that includes differing points of view, professional experience and expertise, and education, as well as more traditional diversity concepts. The Board considers the candidates' character, integrity, experience, understanding of strategy and policy-setting, and reputation for working well with others. If candidates are recommended by E&E's shareholders, then such candidates will be evaluated using the same criteria. With respect to nomination of continuing directors for re-election, the individual's past contributions to the Board are also considered.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and controller, as well as all other employees and the directors of the Company. The code of ethics, which the Company calls its Code of Business Conduct and Ethics, is posted on the Company's website at www.ene.com, as well as on the Company's internal website which is available to all Company employees. The employees are required to sign off annually that they have reviewed and are aware of the Company's code of ethics policy. If the Company makes any substantive amendments to, or grants a waiver (including an implicit waiver) from, a provision of its code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, the Company will disclose the nature of such amendment or waiver in a current report on Form 8-K.

ItemRisk Factors
1A.

In addition to other information referenced in this report, the Company is subject to a number of specific risks outlined below. If any of these events occur, the Company's business, financial condition, profitability and the market price of its Class A Common Stock could be materially affected.

Changes in environmental laws and regulations could reduce demand for the Company's services.

Most of the Company's business is driven by laws and regulations related to the protection of the environment. Any relaxation or repeal of these laws, or changes in governmental policies regarding the funding or enforcement of these laws, would have an adverse impact on the Company's revenues. Also, reduced spending by governments may increase competition within our industry which may directly affect future revenue and profits.

As a government contractor, the Company is subject to a number of procurement laws and regulations, as well as government agency audits. Any violation of these laws could result in economic harm to the Company's operations.

The Company must comply with federal, state, and foreign laws relating to the procurement and administration of government contracts. Such laws include the Federal Acquisition Regulation (FAR), the Truth in Negotiations Act (TINA), the Cost Accounting Standards (CAS), and the Service Contract Act (SCA). These laws impact how the

Company does business with government clients and can increase the cost of doing business. Government agencies such as EPA and the Defense Contract Audit Agency (DCAA), as well as numerous state agencies routinely audit government contractors and their performance under specific contracts to determine if a contractor's cost structure is compliant with applicable laws and regulations. They may question the incurrence of certain costs based on the FAR and CAS and disallow those costs on their contracts. These audits may occur several years after payment for services has been received. Historically, the Company has been able to successfully defend against the disallowance of any significant costs. However, there is no assurance that future audits will not result in the material disallowances for costs incurred in the future.
Such material disallowances could negatively affect revenue, profits and cash flow.

The Company depends on municipal, state and federal government work for a significant portion of its revenues. The Company's inability to win or renew government contracts during procurement cycles could significantly reduce Company profits.

Revenues from all government contracts (municipal, state and federal) represented approximately 27%, 24% and 33% of total revenues for fiscal years 2012, 2011 and 2010, respectively. Consequently, an inability to win or renew government contracts would adversely affect operations and significantly reduce profits. Government contracts are typically awarded through a highly regulated procurement process. In addition, some government contracts are awarded to multiple competitors, causing increased competition and

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downward pricing pressure. This may lead to increased pressure to control costs. If the Company cannot reduce or control costs on these contracts, losses on these contracts may occur.

Current economic uncertainty could affect the Company's public and private sector work.

The current worldwide contraction of credit could impact the availability of financing for certain private projects and resulting lower tax revenues for federal, state, and municipal governments could defer or halt work on public environmental programs. Any impact on specific programs cannot be determined at this time.

International operations are subject to a number of risks.

The Company has operations in more than 30 countries around the world and has derived approximately 37%, 32%, and 30% of revenue from international operations for the fiscal years 2012, 2011, and 2010, respectively. International operations are subject to a number of risks, including:

- greater risk of uncollectible accounts and longer collection cycles;
- currency fluctuations;
- logistical and communication challenges;
- exposure to liability under the Foreign Corrupt Practices Act;
- lack of developed legal systems to enforce contractual rights;
- general economic and political conditions in foreign markets;
- civil disturbance, unrest or violence;
- general difficulties in staffing international operations with highly professional personnel.

These and other risks associated with international operations could harm our overall operations and significantly reduce our future revenues and earnings.

The Company must be able to accurately estimate and control contract costs to prevent losses on contracts.

The Company must control direct contract costs in order to maintain positive profit margins. There are three basic types of contracts with the Company's clients: cost plus, fixed price, and time and materials. Under cost plus contracts, which may be subject to various types of ceilings, the Company is reimbursed for allowable costs plus a negotiated profit. If costs exceed ceilings or are otherwise deemed unallowable under provisions of the contract or regulations, the Company will not be reimbursed for all of its costs. Under fixed price contracts, the Company is paid a fixed price regardless of the actual costs incurred. Consequently, a profit is realized on fixed price contracts only if the Company is able to control costs and avoid overruns. Under time and material contracts, the Company is paid for its direct labor hours at fixed rates plus reimbursement of allocable other direct costs. Profitability is dependent on a consistently high utilization of staff and the Company's ability to control its overhead costs.

The use of annual percentage of completion method of accounting could result in a reduction or reversal of previously recorded revenues and profits.

A portion of the Company's revenues and profit margins are measured and recognized using the percentage of completion method of accounting which is discussed further in Note 2 of the Consolidated Financial Statements. The use of this method results in the recognition of revenues and profit margins ratably over the life of a contract. The effect of revisions to revenues and estimated costs is
recorded when the amounts are known or can be reasonably estimated. Such revisions could occur in subsequent periods and their effects could be material. Although the Company has historically been able to make reasonably

accurate estimates of work progress, the uncertainties inherent in the estimating process make it possible for actual costs to vary from estimates in a material amount, including reductions or reversals of previously recorded revenues and profits.

Subcontractor performance and pricing could expose us to loss of reputation and additional financial or performance obligations that could result in reduced profits or losses.

We often hire subcontractors for our projects. The success of these projects depends, in varying degrees, on the satisfactory performance of our subcontractors and our ability to successfully manage subcontractor costs and pass them through to our customers. If our subcontractors do not meet their obligations or we are unable to manage or pass through costs, we may be unable to profitably perform and deliver our contracted services. Under these circumstances, we may be required to make additional investments and expend additional resources to ensure the adequate performance and delivery of the contracted services. In addition, the inability of our subcontractors to adequately perform or our inability to manage subcontractor costs on certain projects could hurt our competitive reputation and ability to obtain future projects.

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Actual results could differ from the estimates and assumptions used to prepare financial statements, which may reduce or eliminate profits.

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions as of the date of the financial statements, which affect the reported values of assets and liabilities and revenues and expenses and disclosures of contingent assets and liabilities. Areas requiring significant estimates by management include:

- the application of the percentage of completion method of accounting and revenue recognition on contracts
- provisions for uncollectible receivables and contract adjustments
- provisions for income taxes and related valuation reserves
- accruals for estimated liabilities, including litigation reserves
- accruals for uncertain tax positions
- evaluation of the impairment of goodwill and other long-lived assets

A failure to attract and retain key employees could impair the Company’s ability to provide quality service to clients.

The Company provides professional and technical services and is dependent on its ability to attract, retain and train its professional employees to conduct its business and perform its obligations to ensure success. It may be difficult to attract and retain qualified expertise within timeframes demanded by clients. Senior managements’ experience is essential to the success of any company and our ability to retain such talent is crucial to the profitability of the Company. Further, the loss of key management personnel could adversely affect the Company's ability to develop and pursue its business strategies.

Failure to complete a project timely or failure to meet a required performance standard on a project could cause the Company to incur a loss which may affect overall profitability.

Completion dates and performance standards may be important requirements to a client on a given project. If the Company is unable to complete a project within specified deadlines or fails to meet performance criteria set forth by a client, additional costs may be incurred by the Company or the client may hold the Company responsible for costs they incur to rectify the problem. The uncertainty involved in the timing of certain projects could also negatively affect the Company’s staff utilization, causing a drop in efficiency and reduced profits.

The Company's services could expose it to significant liability not covered by insurance.

The services provided by the Company expose it to significant risks of professional and other liabilities. In addition, the Company sometimes assumes liability by contract under indemnification provisions. We are unable to predict the total amount of such potential liabilities. The Company has obtained insurance to cover potential risks and liabilities. While the Company feels they hold an appropriate level of coverage, we acknowledge that insurance may be inadequate or unavailable in the future to protect the Company for such liabilities and risks.

Management's voting rights could block or discourage a change in control.

The current senior officers of the Company along with Gerhard J. Neumaier own in excess of 70% of the Class B Common Stock which has one vote per share while the Class A Common Stock has one-tenth of a vote per share. Therefore, current management could block a change in control. This ability could adversely affect the value of the Class A Common Stock.

Item 1B. Unresolved Staff Comments

None to report.

Item 2. Properties

The Company's headquarters (60,000 square feet) is located in Lancaster, New York, a suburb of Buffalo. The Company owns additional property in Lancaster, NY consisting of two buildings including a warehouse and office facility totaling approximately 35,000 square feet. The Company also leases office and storage facilities at fourty-three (43) regional offices in the United States and seventeen (17) offices in foreign locations.

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Item 3. Legal Proceedings

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, financial condition, cash flows 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.

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.

On September 21, 2012 the Colorado Department of Public Health and Environment (the "Department") issued a proposed Compliance Order on Consent (the "Consent Order") to the City and County of Denver ("Denver") and to Walsh Environmental Scientists & Engineers LLC ("Walsh Environmental"). Walsh Environmental is a majority-owned subsidiary of Ecology and Environment, Inc. The proposed Consent Order concerns construction improvement activities of certain property owned by Denver which was the subject of asbestos remediation. Denver had entered into a contract with Walsh Environmental for Walsh Environmental to provide certain environmental consulting services (asbestos monitoring services) in connection with the asbestos containment and/or removal performed by other contractors at Denver's real property. The Consent Order, among other provisions, proposes a violation penalty of $216,000, jointly and severally to be paid by Denver and Walsh Environmental. Under Walsh's Environmental consulting contract with Denver, Walsh Environmental has agreed to indemnify Denver for certain liabilities which would include the imposition of this proposed penalty. Walsh Environmental has put its professional liability carrier on notice of this claimed penalty. At this time, neither Walsh Environmental nor Denver have filed a response to the September 21, 2012 draft Consent Order. It is the position of Walsh Environmental that it has fully complied with all applicable Colorado laws, regulations and statutes in connection with its role as an environmental consultant to Denver and the claimed violations are not applicable to the activities of Walsh in connection with its environmental consulting contract with Denver. The Company believes that this administrative proceeding involving Walsh Environmental will not have an adverse material effect upon the operations of the Company.

On February 4, 2011 the Chico Mendes Institute of Biodiversity Conservation of Brazil (the "Institute") issued a Notice of Infraction to Ecology and Environment do Brasil LTDA ("E & E Brasil"). E & E Brasil is a majority-owned subsidiary of Ecology and Environment, Inc. The Notice of Infraction concerns the taking and collecting species of wild animal specimens without authorization by the competent authority and imposes a fine of 520,000 Reais, which has a value of approximately $255,000 USD at July 31, 2012. No claim has been made against Ecology and Environment, Inc. The Institute has also filed Notices of Infraction against four employees of E & E Brasil alleging the same claims and has imposed fines against those individuals that, in the aggregate, are equal to the fine imposed against E & E Brasil. E & E Brasil has filed administrative responses with the Institute for itself and its employees that: (a) denies the jurisdiction of the Institute, (b) states that the Notice of Infraction is constitutionally vague and (c) affirmatively stated that E & E Brasil had obtained the necessary permits for the surveys and collections of specimens under applicable Brazilian regulations and that the protected conservation area is not clearly marked to show its boundaries. At this time, E & E Brasil has attended one meeting where depositions were taken. The Company believes that these administrative proceedings in Brazil will not have an adverse material effect upon the operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

(a) Principal Market or Markets. The Company’s Class A Common Stock is listed on NASDAQ. There is no separate market for the Company’s Class B Common Stock. The following table represents the range of high and low prices of the Company's Class A Common Stock as reported by NASDAQ for the periods indicated.

FISCAL 2012

	High	Low
First Quarter (commencing August 1, 2011 - October 29, 2011)	$ 17.65	$ 14.95
Second Quarter (commencing October 30, 2011 - January 31, 2012)	17.50	15.64
Third Quarter (commencing February 1, 2012 - April 30, 2012)	17.00	14.60
Fourth Quarter (commencing May 1, 2012 - July 31, 2012)	15.19	11.26

FISCAL 2011

	High	Low
First Quarter (commencing August 1, 2010 - October 30, 2010)	$ 13.50	$ 11.40
Second Quarter (commencing October 31, 2010 - January 29, 2011)	15.33	12.44
Third Quarter (commencing January 30, 2011 - April 30, 2011)	20.69	14.70
Fourth Quarter (commencing May 1, 2011 - July 31, 2011)	22.76	16.42

Approximate Number of Holders of Class A and Class B Common Stock

As of September 30, 2012, 2,600,144 shares of the Company's Class A Common Stock were outstanding and the number of holders of record of the Company's Class A Common Stock at that date was 397. The Company estimates that it has a significantly greater number of Class A Common Stock shareholders because a substantial number of the Company's shares are held in street name. As of the same date, there were 1,643,773 shares of the Company's Class B Common Stock outstanding and the number of holders of record of the Class B Common Stock at that date was 55.

Dividends

In the fiscal years ended July 31, 2012 and 2011, the Company declared two cash dividends totaling $.48 and $.46 per year respectively, per share of common stock. The amount, if any, of future dividends remains within the discretion of the Company's Board of Directors and will depend upon the Company's future earnings, financial condition and requirements and other factors as determined by the Board of Directors.

The Company's Certificate of Incorporation provides that any cash or property dividend paid on Class A Common Stock must be at least equal to the cash or property dividend paid on Class B Common Stock on a per share basis.

Equity Compensation Plan Information as of July 31, 2012:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights.	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by securities holders:			
- 2003 Stock Award Plan	---	---	---
- 2007 Stock Award Plan	---	---	40,185

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Equity compensation plans not approved by securities holders:			
- 1998 Stock Award Plan	---	---	---
Total	---	---	40,185

Refer to Note 10 to Consolidated Financial Statements set forth in Part IV of this Annual Report on Form 10-K for more information on the Equity Compensation Plans.

(b) Not Applicable

(c) Purchased Equity Securities. The following table summarizes the Company's purchases of its common stock during the fiscal year ended July 31, 2012.

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, 2011 - July 31, 2012	22,825	$16.71	22,825	93,173

(1) The Company’s Board of Directors approved a 200,000 share repurchase program in August 2010 in which 93,173 shares remain available for repurchase.

Item 6. Selected Consolidated Financial Data

See Note 21 to Consolidated Financial Statements for additional information.

	Year Ended July 31				
	2012	2011	2010	2009	2008
	(In thousands, except per share amounts)				
Operating data:					
Revenues	$ 155,410	$ 169,173	$ 144,098	$ 146,081	$ 110,533
Income from operations	4,784	12,386	9,893	9,445	5,593
	4,398	12,755	10,459	9,450	5,554

Income from continuing operations before income taxes										
Net income attributable to Ecology and Environment, Inc.	$	774	$	6,960	$	4,258	$	5,221	$	1,834
Net income per common share: basic and diluted	$	0.18	$	1.65	$	1.02	$	1.27	$	0.43
Cash dividends declared per common share: basic and diluted	$	0.48	$	0.46	$	0.42	$	0.39	$	0.36
Weighted average common shares outstanding: basic and diluted		4,233,883		4,222,688		4,160,816		4,115,921		4,259,663

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	As of July 31				
	2012	2011	2010	2009	2008
	(In thousands, except per share amounts)				
Balance sheet data:					
Working capital	$ 38,511	$ 41,979	$ 38,950	$ 36,142	$ 36,871
Total assets	97,512	94,268	79,959	77,808	75,602
Long-term debt and capital lease obligations	591	2,138	1,695	815	1,860
Ecology and Environment, Inc. shareholders' equity	48,146	50,034	44,864	41,051	39,254
Book value per share: basic and diluted	$ 11.37	$ 11.85	$ 10.78	$ 9.97	$ 9.22

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

Operating activities consumed cash flow of $.4 million during fiscal year 2012. Operating activities during fiscal year 2012 provided operating cash as a result of net income of $3.0 million, $2.2 million in depreciation and amortization expense and $.7 million in share based compensation expense. This was offset during the year by decreases in accounts payable, accrued payroll costs and accrued income taxes and an increase in accounts receivable. Accounts payable and accrued payroll costs consumed $3.3 million of cash during the period due to the payment of accrued bonuses and the timing of payments for operating costs and subcontracts. Accrued income taxes consumed $3.9 million of cash during the period due to the payment of tax estimates during the fiscal year 2012. Accounts receivable increased $2.3 million during fiscal year 2012 due primarily to increased receivables on foreign work.

Investment activities consumed $5.5 million of cash which was used mainly for the purchase of an enterprise wide planning and reporting system and to purchase additional interest in the majority owned subsidiaries Walsh Environmental Scientists and Engineers, LLC (Walsh) and E&E do Brasil (Brasil).

Financing activities provided $8.0 million of cash during fiscal year 2012 mainly from net debt proceeds of $11.5 million less dividend payments of $2.0 million, purchase of treasury stock for $.4 million and distributions to non-controlling interests of $1.1 million. Short term debt has increased this year due mainly to the delinquency of the receivables in the Middle East.

Ecology and Environment, Inc. (Company) maintains an unsecured line of credit available for working capital and letters of credit of $34 million at interest rates ranging from 2.5% to 5% at July 31, 2012. The Company guarantees the line of credit of Walsh. Its lenders have reaffirmed the Company's lines of credit within the past twelve months. At July 31, 2012 and 2011, the Company had letters of credit and loans outstanding totaling approximately $14.9 million and $4.1 million, respectively. After letters of credit and loans, there was $19.1 million of availability under the lines of credit at July 31, 2012. The Company maintained a cash balance of $10.4 million at July 31, 2012, however borrowings of $12.3 million against the Company's line of credit were necessary during the fiscal year due to the cash requirements at Ecology and Environment (Parent Company). The Company believes that cash flows from operations and borrowings against the lines 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

Revenue

Year to Date and Fourth Quarter 2012 vs 2011

Revenue for fiscal year 2012 was $155.4 million, a decrease of $13.8 million or 8% from the $169.2 million reported for fiscal year 2011. Revenue at the Parent Company was $80.9 million for fiscal year 2012, a decrease of $18.6 million or 19% from the $99.5 million reported in the prior year due to reduced revenues from the commercial and international markets. Revenues from the Parent Company's commercial market were $33.5 million for fiscal year 2012, down $15.0 million from the $48.5 million reported in fiscal year 2011 attributable to decreased activity in the domestic energy market due to the completion of a significant project. Revenues from the Parent Company's international market decreased $3.7 million over the prior year mainly attributable to decreased activity in the Middle East. This decrease was partially offset by increases in revenue at the Company's majority owned subsidiaries E&E do Brasil and Gestion Ambiental Consultores (GAC). E&E do Brasil reported revenue of $15.7 million for fiscal year 2012, an increase of $4.0 million from the $11.7 million reported in fiscal year 2011 due to modifications received on contracts in the transmission and energy markets. GAC reported revenue of $11.3 million for fiscal year 2012, an increase of $3.2 million from the $8.1 million reported in the prior year due to increased work in the mining market. Revenues for fiscal year 2012 included a favorable settlement of government contract rates covering the years 2002 through 2005 of approximately $.3 million.

E & E reported revenue of $36.9 million for the fourth quarter, a decrease of $7.3 million or 17% from the $44.2 million reported in the fourth quarter of fiscal year 2011. Revenue at the Parent Company was $20.1 million, a decrease of $6.6 million or 25% from the $26.7 million reported in fiscal year 2011 due mainly to decreases in the Company's domestic energy markets as a result of the completion of a significant project. The Company's majority owned subsidiary Walsh reported revenue of $7.8 million during the fourth quarter of fiscal year 2012, a decrease of $1.8 million from the $9.6 million reported in fiscal year 2011 due mainly to decreases in the domestic energy and state/local markets. This decrease was partially offset by increases in revenue at the Company's majority owned subsidiaries E&E do Brasil and GAC. E&E do Brasil reported revenue of $4.4 million during the fourth quarter of fiscal year 2012, an increase of $1.4 million over fiscal year 2011 due to work in the transmission and energy markets. GAC reported revenue of $3.4 million during the fourth quarter of fiscal year 2012, an increase of $1.0 million over fiscal year 2011 due to contracts in the mining market.

Year to Date and Fourth Quarter 2011 vs 2010

Revenue for fiscal year 2011 was $169.2 million, an increase of $25.1 million from the $144.1 million reported for fiscal year 2010 mainly attributable to increases at the Parent Company, ECSI and GAC. Revenue at the Parent Company was $99.5 million for fiscal year 2011, an increase of $15.3 million or 18% from the $84.2 million reported in the prior year. This increase was attributable to work performed on contracts in the Company's commercial and international markets offset by decreases in work in the federal government and state markets. Revenues from the Parent Company's commercial market were $48.5 million for fiscal year 2011, up $16.5 million from the $32.0 million reported in fiscal year 2010 attributable to increased activity in the domestic energy market. Revenues from the Parent Company's international market increased $5.2 million over the prior year mainly attributable to increased activity in the Middle East and Africa. Revenues from the Parent Company's federal government market were $26.6 million for fiscal year 2011, a decrease of $.6 million from the $27.2 million reported in the prior year mainly attributable to decreased activity in contracts with the United States Department of Defense (DOD). Revenues from the Parent Company's state market were $14.7 million for fiscal year 2011, down $5.8 million from the $20.5 million reported in fiscal year 2010. The decrease in state revenues was mainly attributable to decreased activity in Texas, Florida and California due to the state budgetary constraints. The inclusion of ECSI, formed in August 2010, contributed revenue of $5.2 million for fiscal year 2011. GAC, the Company's Chilean subsidiary, reported revenue of $8.1 million during fiscal year 2011, an increase of $4.3 million or 113% from the $3.8 million reported in fiscal year 2010 due to increased work in mining and extractive industries. E & E do Brasil reported revenue of $11.7 million for fiscal year 2011, an increase of $1.2 million or 11% from the $10.5 million reported in the prior year. The increase in revenue at E & E do Brasil was associated with increased work on contracts in the energy market. The Company's majority owned subsidiary Walsh Environmental reported revenues of $39.2 million for fiscal year 2011, a decrease of $2.9 million or 7% from the $42.1 million reported in fiscal year 2010 mainly attributable to the completion of work associated with a redevelopment project and a decrease in work in the energy market.

E & E reported revenue of $44.2 million for the fourth quarter, an increase of $3.5 million from the $40.7 million reported in the fourth quarter of the prior year. Revenue at the Parent Company was $26.7 million during the fourth quarter of fiscal year 2011, an increase of $1.4 million attributable to work performed on contracts in the Company's domestic energy market. Revenues from the Parent Company's commercial market were $13.3 million for the fourth quarter of fiscal year 2011, an increase of $1.4 million from the $11.9 million reported in the fourth quarter of fiscal year 2010 attributable to increased activity in the domestic energy market. The inclusion of ECSI contributed revenue of $1.2 million for the fourth quarter of fiscal year 2011. GAC reported revenue of $2.4 million during the fourth quarter of fiscal year 2011, an increase of $1.3 million or 118% from the $1.1 million reported in the prior year.

Income Before Income Taxes

Year to Date and Fourth Quarter 2012 vs 2011

The Company's income before income taxes was $4.4 million for fiscal year 2012, a decrease of $8.4 million or 66% from the $12.8 million reported in fiscal year 2011. Revenue less subcontract costs were $123.1 million, a decrease of $14.7 million or 11% from the $137.8 million reported in the prior year, mainly due to the decrease in revenue in the Parent Company's commercial energy and international markets. Gross profits (revenue less cost of professional services, other direct operating expenses and subcontract costs) decreased $4.5 million during fiscal year 2012. Indirect costs for fiscal year 2012 were $60.5 million, an increase of $2.7 million from $57.8 million reported in the prior year are mainly the result of lower staff utilization in the Parent Company and Walsh. Indirect costs for fiscal year 2012 included a reduction of $.8 million due to the Parent Company's decision to not award bonuses for fiscal year 2012 and a decrease in the Parent Company's discretionary contribution to the defined contribution retirement plan. Foreign exchange losses increased $.7 million in fiscal year 2012 mainly due to fluctuations in the exchange rates on receivables carried in Kuwaiti Dinar translated to US dollars.

The Company's income before income taxes was $.1 million for the fourth quarter of fiscal year 2012, a decrease of $2.9 million or 97% from the $3.0 million reported in the fourth quarter of fiscal year 2011. Revenue less subcontract costs were $29.3 million, a decrease of $6.0 million from the $35.3 million reported in the fourth quarter of the prior year, mainly due to the decrease in revenue in the Parent Company's domestic energy market. Gross profits decreased $2.6 million during the fourth quarter of fiscal year 2012. Indirect costs for the fourth quarter of fiscal year 2012 were $14.6 million, consistent with the fourth quarter of fiscal year 2011. Indirect costs for the fourth quarter of fiscal year 2012 included a reduction of $.8 million due to the Parent Company's decision to not award bonuses for fiscal year 2012 and a decrease in the Parent Company's discretionary contribution to the defined contribution retirement plan. Foreign exchange losses increased $.3 million for the quarter mainly due to fluctuations in the exchange rates on receivables carried in Kuwaiti Dinar translated to US dollars.

Year to Date and Fourth Quarter 2011 vs 2010

The Company's income before income taxes was $12.8 million for fiscal year 2011, an increase of $2.3 million from the $10.5 million reported in fiscal year 2010. Revenue less subcontract costs were $137.8 million, an increase of $24.0 million or 21% from the $113.8 million reported in the prior year. Gross profits increased $7.7 million during fiscal year 2011. The gross margin percentage for fiscal year 2011 was 42%, down from the 44% reported for fiscal year 2010 due mainly to increased field work on large projects in the energy markets. Income from operations for fiscal year 2011 was $12.4 million, up 25% from the $9.9 million reported in fiscal year 2010. These increases were mainly attributable to the increased energy market work. Indirect costs fell as a percent of revenue from 36% in fiscal year 2010 to 34% in fiscal year 2011. The Company recorded a sale of land during the first quarter of fiscal year 2010 for a gain of $809,000 ($453,000 after tax) which positively impacted earnings by $.11 per share compared to a $290,000 ($94,000 after tax and noncontrolling interest) gain on the sale of the assets of the Jordanian Fish Farm (AMARACO) in current fiscal year which impacted earnings by $.02 per share. The Company recognized a net foreign exchange gain of $.3 million for fiscal year 2011.

The Company's income before income taxes was $3.0 million for the fourth quarter of fiscal year 2011, a decrease of $1.2 million from the $4.2 million reported in the fourth quarter of fiscal year 2010. Revenue less subcontract costs for the fourth quarter of fiscal year 2011 were $35.3 million, an increase of $2.5 million from the $32.8 million reported in the prior year. Gross profits decreased slightly during the fourth quarter of fiscal year 2011. Income from operations for the fourth quarter of fiscal year 2011 was $3.0 million, down 29% from the $4.2 million reported in fourth quarter of fiscal year 2010. Consolidated indirect costs for the fourth quarter of fiscal year 2011 were $14.7 million, an increase of $1.0 million from the $13.7 million reported in the fourth quarter of fiscal year 2010 attributable to the formation of ECSI and excess staffing and other indirect operating expenses at E & E do Brasil. The Company recognized a net foreign exchange gain of $.1 million for the fourth quarter of fiscal year 2011.

Income Taxes

The effective tax rate for the fiscal year ended July 31, 2012, is 30.9%, as compared to the tax rate of 36.3% reported for the fiscal year ended July 31, 2011. The reduction in the effective tax rate is mainly a result of increased income in the corporate partnerships as well as increased income from foreign entities in countries with a lower effective tax rate than in the U.S, along with a decrease in income in the U.S. with a higher effective tax rate. In addition, during the fiscal year ended July 31, 2012, an income tax benefit of $.3 million and $.1 million, was recognized as result of favorable Kuwait and state related tax settlements, net of federal benefit, respectively.

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.

Recent Accounting Pronouncements

An accounting standard related to the presentation of other comprehensive income was issued to increase the prominence of items reported in other comprehensive income. The amended standard requires the components of net income and the components of other comprehensive income to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, and other disclosures. Among the new provisions of this standard was a requirement for entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented (for both interim and annual financial statements); however, a subsequent accounting standard update was issued, which indefinitely deferred the reclassification requirement. Further deliberations on this topic by the FASB are expected at a future date. Excluding the deferred reclassification requirement, the remaining portion of the standard was effective for us beginning with our first quarter of fiscal year 2012; however, we have historically presented the components of net income and the components of other comprehensive income in two separate, but consecutive, statements.

An accounting standard update regarding fair value measurement was issued to conform the definition of fair value and common requirements for measurement of and disclosure about fair value under U.S. GAAP and International Financial Reporting Standards. The amended standard also clarifies the application of existing fair value measurement requirements and expands the disclosure requirements for fair value measurements that are estimated using significant unobservable Level 3 inputs. The standard update was effective for us beginning with our first interim period of fiscal year 2012. The adoption of the standard did not have a material impact on our consolidated financial statements.

An accounting standard update related to new disclosures about balance sheet offsetting and related arrangements was issued. For derivatives and financial assets and liabilities, the amendments require the disclosure of gross asset and liability amounts, amounts offset on the balance sheet, and amounts subject to the offsetting requirements but not offset on the balance sheet. The standard update is effective for us beginning with our first interim period in fiscal year 2013. This standard does not amend the existing guidance on when it is appropriate to offset. As a result, we do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

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 entered into with our clients. The revenues recognized, therefore, are derived from our ability to charge clients for those services under the contracts. Sales and cost of sales at the Company’s South American subsidiaries exclude tax assessments by governmental authorities, which are collected by the Company from its customers and then remitted to governmental authorities.

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.

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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 Federal Acquisition Regulation (FAR), and the Cost Accounting Standards (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 Defense Contract Audit Agency (DCAA). The DCAA audits overhead rates, cost proposals, incurred government contract costs, and internal control systems. During the course of its audits, the DCAA 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 such 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. Government audits have been completed and final rates have been negotiated through fiscal year 2005. 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 Doubtful Accounts and Contract Adjustments

We reduce our contract receivables and costs and estimated 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 and allowance for contract adjustments 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.

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.

Uncertain Tax Positions

A tax position is a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions shall be recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position will be sustained. Tax positions that meet the more likely than not threshold should be measured using a probability weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a tax position, is a matter of judgment based on the individual facts and circumstances of that position evaluated in light of all available evidence. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative and indirect operating expenses.

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Changes in Corporate Entities

On January 4, 2012, the Company purchased an additional 1.3% of Walsh from noncontrolling shareholders for approximately $254,000. Two thirds of the purchase price was paid in cash while the remaining one third was paid for with E&E stock. With this purchase E&E's ownership share in Walsh increased to approximately 86% of that company.

On December 14, 2011, the Company increased its capital investment in its Brazilian subsidiary (Ecology and Environment do Brasil, LTDA.) by $1.5 million, which increased the Company's ownership in the entity to 68%. The Company also purchased an additional 4% of the entity from its president for approximately $180,000, which increased the Company's ownership in the entity to 72%. The Brazilian company has experienced increased revenue growth and the additional $1.5 million investment will be used for working capital needs in the country.

On November 18, 2011, the Company purchased an additional 3.9% of Walsh Peru from noncontrolling shareholders for approximately $432,000. The entire purchase price was paid in cash.

On June 6, 2011, the Company purchased an additional 1.1% of Walsh from noncontrolling shareholders for approximately $219,000. The Company paid one third in cash, one third in a two-year note, and issued E&E stock for the remaining one third of the sale price. With this purchase E&E's ownership share in Walsh increased to approximately 85% of that company.

On March 18, 2011 the Company purchased 5.5% of Walsh from noncontrolling shareholders for approximately $1,156,000. The Company paid one third in cash, one third in a two-year note, and issued E&E stock for the remaining one third of the sale price.

On December 27, 2010, the Company purchased an additional 1.2% of Walsh from noncontrolling shareholders for approximately $257,000. Two thirds of the purchase price was paid in cash while the remaining one third was paid for with E&E stock.

On August 23, 2010 the Company purchased a 60% ownership interest in ECSI, LLC, a Lexington, Kentucky based engineering and environmental consulting company that specializes in mining work. The Company paid $1.0 million for this ownership interest and contributed the assets into a newly formed company. The company was consolidated into the Company's financial reporting beginning in the first quarter of fiscal year 2011.

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.

ItemFinancial Statements and Supplementary Data
8.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board of Directors and Stockholders of
Ecology and Environment, Inc.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Internal controls include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in
conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of July 31, 2012 based on the criteria in

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Internal Control—Integrated Framework issued by the COSO. Based upon this assessment, management has concluded that our internal control over financial reporting was effective as of July 31, 2012.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

By: /s/Kevin S. Neumaier	By: /s/H. John Mye III
Kevin S. Neumaier	H. John Mye III
Chief Executive Officer	Chief Financial and Accounting Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Ecology and Environment, Inc.

We have audited the accompanying consolidated balance sheets of Ecology and Environment, Inc. and its subsidiaries (collectively, the Company) as of July 31, 2012 and 2011, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended July 31, 2012. In addition, our audits included the financial statement schedule listed in the index at Item 15(a)(2). The Company's management is responsible for these financial statements and the financial statement schedule. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended July 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
November 13, 2012

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Ecology and Environment, Inc.
Consolidated Balance Sheets

Assets	July 31, 2012	July 31, 2011
Current assets:		
Cash and cash equivalents	$10,467,770	$8,529,842
Investment securities, available for sale	1,404,582	1,491,459
Contract receivables, net	61,568,443	63,750,870
Deferred income taxes	4,799,724	4,949,368
Income tax receivable	2,502,431	-
Other current assets	1,802,843	2,254,415
Total current assets	82,545,793	80,975,954
Property, building and equipment, net of accumulated depreciation, $22,584,958 and $22,972,422, respectively	12,112,078	9,961,304
Deferred income taxes	860,499	1,300,181
Other assets	1,993,785	2,030,203
Total assets	$97,512,155	$94,267,642
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$11,492,602	$13,097,765
Line of credit	12,309,335	-
Accrued payroll costs	7,529,728	9,146,711
Income taxes payable	-	1,195,741
Current portion of long-term debt and capital lease obligations	488,460	1,689,920
Billings in excess of revenue	8,281,919	7,727,725
Other accrued liabilities	3,932,588	6,139,423
Total current liabilities	44,034,632	38,997,285
Income taxes payable	194,023	339,027
Deferred income taxes	423,324	525,106
Long-term debt and capital lease obligations	102,635	448,391
Commitments and contingencies (see note #17)	-	-
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 - 2,685,151 shares	26,851	26,851
	17,087	17,087

Class B common stock, par value $.01 per share; authorized - 10,000,000 shares; issued - 1,708,574 shares		
Capital in excess of par value	19,751,992	19,983,029
Retained earnings	29,534,783	30,797,763
Accumulated other comprehensive income	711,842	1,527,189
Treasury stock - Class A common, 84,730 and 125,923 shares; Class B common, 64,801 shares, at cost	(1,897,032)	(2,317,515)
Total Ecology and Environment, Inc. shareholders' equity	48,145,523	50,034,404
Noncontrolling interests	4,612,018	3,923,429
Total shareholders' equity	52,757,541	53,957,833
Total liabilities and shareholders' equity	$97,512,155	$94,267,642

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

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Ecology and Environment, Inc.
Consolidated Statements of Income

	Year ended July 31, 2012	Year ended July 31, 2011	Year ended July 31, 2010
Revenue	$155,410,099	$169,172,860	$144,098,294
Cost of professional services and other direct operating expenses	55,632,281	65,914,987	49,623,816
Subcontract costs	32,315,179	31,325,937	30,292,117
Administrative and indirect operating expenses	44,917,631	42,534,303	38,166,067
Marketing and related costs	15,601,112	15,251,165	14,438,785
Depreciation and amortization	2,160,062	1,760,763	1,684,406
Income from operations	4,783,834	12,385,705	9,893,103
Interest expense	(364,305)	(355,766)	(222,558)
Interest income	174,743	85,771	107,211
Other income (expense)	206,813	64,524	(68,349)
Gain on sale of assets	-	290,526	809,200
Net foreign currency exchange gain (loss)	(403,419)	284,411	(59,718)
Income before income tax provision	4,397,666	12,755,171	10,458,889
Income tax provision	1,357,916	4,631,235	3,902,222
Net income	$3,039,750	$8,123,936	$6,556,667
Net income attributable to the noncontrolling interest	(2,266,171)	(1,163,673)	(2,299,060)
Net income attributable to Ecology and Environment, Inc.	$773,579	$6,960,263	$4,257,607
Net income per common share: basic and diluted	$0.18	$1.65	$1.02
Weighted average common shares outstanding: basic and diluted	4,233,883	4,222,688	4,160,816

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

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Ecology and Environment, Inc
Consolidated Statements of Cash Flows

	Fiscal year ended July 31, 2012	Fiscal year ended July 31, 2011	Fiscal year ended July 31, 2010
Cash flows from operating activities:			
Net income	$3,039,750	$8,123,936	$6,556,667
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	2,160,062	1,760,763	1,684,406
Benefit for deferred income taxes	113,717	(910,413)	472,455
Share based compensation expense	731,583	541,175	485,945
Tax impact of share-based compensation	105,988	-	102,737
Gain on sale of assets	-	(290,526)	(809,200)
Provision for contract adjustments	1,810,557	2,943,470	637,846
Bad debt expense	514,411	450,000	-
(Increase) decrease in:			
- contract receivables	(2,287,607)	(18,286,613)	(5,661,388)
- other current assets	314,587	(114,402)	233,414
- income tax receivable	(2,502,431)	-	802,926
- other non-current assets	31,973	42,082	(64,430)
Increase (decrease) in:			
- accounts payable	(1,859,530)	822,701	(3,120,409)
- accrued payroll costs	(1,458,928)	1,545,961	149,316
- income taxes payable	(1,375,614)	(98,721)	1,066,930
- billings in excess of revenue	1,237,329	3,396,873	(121,749)
- other accrued liabilities	(936,135)	1,084,505	18,273
Net cash provided by (used in) operating activities	(360,288)	1,010,791	2,433,739
Cash flows provided by (used in) investing activities:			
Acquistion of noncontrolling interest of subsidiaries	(908,892)	(637,745)	(1,000,000)
Purchase of Lowham Engineering LLC	-	-	(200,000)
Purchase of Engineering Consulting Services, Inc., net of cash equivalents of $309,487	-	(790,513)	-
Purchase of property, building and equipment	(4,443,962)	(2,476,059)	(1,992,724)
Change in accounts payable due to purchase of equipment	(283,071)	953,749	-
Proceeds from sale of property and equipment	-	322,807	959,200
Sale (purchase) of investment securities, net	102,527	(195,163)	(55,791)
Net cash used in investing activities	(5,533,398)	(2,822,924)	(2,289,315)
Cash flows provided by (used in) financing activities:			
Dividends paid	(2,046,657)	(1,814,839)	(1,684,482)
Proceeds from debt	145,401	795,795	468,038

Repayment of debt and capital lease obligations	(974,644)	(945,320)	(778,035)
Net proceeds from line of credit	12,309,335	-	-
Distributions to noncontrolling interests	(1,123,896)	(847,749)	(845,106)
Proceeds from sale of subsidiary shares to noncontrolling interests	41,634	90,368	227,562
Purchase of treasury stock	(363,050)	(1,335,960)	-
Net cash provided by (used in) financing activities	7,988,123	(4,057,705)	(2,612,023)
Effect of exchange rate changes on cash and cash equivalents	(156,509)	52,486	49,908
Net increase (decrease) in cash and cash equivalents	1,937,928	(5,817,352)	(2,417,691)
Cash and cash equivalents at beginning of period	8,529,842	14,347,194	16,764,885
Cash and cash equivalents at end of period	$10,467,770	$8,529,842	$14,347,194

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

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Ecology and Environment, Inc.
Consolidated Statements of Changes in Shareholders' Equity and Comprehensi

	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasu Stocl Share
Balance at July 31, 2009	2,677,651	$ 26,776	1,716,074	$ 17,162	$ 20,093,952	$ 23,290,768	$ 441,965	307
Net income	-	-	-	-	-	4,257,607	-	
Foreign currency translation adjustment	-	-	-	-	-	-	423,493	
Cash dividends paid ($.42 per share)	-	-	-	-	-	(1,747,572)	-	
Unrealized investment gain, net	-	-	-	-	-	-	23,159	
Conversion of common stock - B to A	7,421	74	(7,421)	(74)	-	-	-	
Issuance of stock under stock award plan	-	-	-	-	(372,172)	-	-	(42
Share-based compensation expense	-	-	-	-	485,945	-	-	
Tax impact of share based compensation	-	-	-	-	102,737	-	-	
Sale of subsidiary shares to noncontrolling interests	-	-	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	-	-	
Purchase of additional	-	-	-	-	(254,181)	-	(72,711)	(66

noncontrolling interests								
Other	-	-	-	-	2,919	-	-	3
Balance at July 31, 2010	2,685,072	$ 26,850	1,708,653	$ 17,088	$ 20,059,200	$ 25,800,803	$ 815,906	201
Net income	-	-	-	-	-	6,960,263	-	
Foreign currency translation adjustment	-	-	-	-	-	-	686,380	
Cash dividends paid ($.46 per share)	-	-	-	-	-	(1,963,303)	-	
Unrealized investment gain, net	-	-	-	-	-	-	(11,189)	
Conversion of common stock - B to A	79	1	(79)	(1)	-	-	-	
Repurchase of Class A common stock	-	-	-	-	-	-	-	84
Issuance of stock under stock award plan	-	-	-	-	(482,061)	-	-	(55
Share-based compensation expense	-	-	-	-	541,175	-	-	
Sale of subsidiary shares to noncontrolling interests	-	-	-	-	-	-	-	
Issuance of shares to noncontrolling interests	-	-	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	-	-	
Purchase of additional noncontrolling interests	-	-	-	-	(135,285)	-	36,092	(39
Stock award plan forfeitures	-	-	-	-	-	-	-	

Balance at July 31, 2011	2,685,151	$ 26,851	1,708,574	$ 17,087	$ 19,983,029	$ 30,797,763	$ 1,527,189	190
Net income	-	-	-	-	-	773,579	-	
Foreign currency translation adjustment	-	-	-	-	-	-	(871,476)	
Cash dividends paid ($.48 per share)	-	-	-	-	-	(2,036,559)	-	
Unrealized investment gain, net	-	-	-	-	-	-	17,597	
Repurchase of Class A common stock	-	-	-	-	-	-	-	22
Issuance of stock under stock award plan	-	-	-	-	(716,662)	-	-	(62
Share-based compensation expense	-	-	-	-	731,583	-	-	
Tax impact of share based compensation	-	-	-	-	105,988	-	-	
Sale of subsidiary shares to noncontrolling interests	-	-	-	-	-	-	-	
Distributions to noncontrolling interests	-	-	-	-	-	-	-	
Purchase of additional noncontrolling interests	-	-	-	-	(351,946)	-	38,532	(5
Stock award plan forfeitures	-	-	-	-	-	-	-	3
Balance at July 31, 2012	2,685,151	$ 26,851	1,708,574	$ 17,087	$ 19,751,992	$ 29,534,783	$ 711,842	149

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

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Ecology and Environment, Inc.
Notes to Consolidated Financial Statements

1. Summary of Operations and Basis of Presentation

Ecology and Environment, Inc., ("E & E" or "Company") is a global broad-based environmental consulting firm whose underlying philosophy is to provide professional services worldwide so that sustainable economic and human development may proceed with minimum negative impact on the environment. The Company's staff is comprised of individuals representing 85 scientific, engineering, health, and social disciplines working together in multidisciplinary teams to provide innovative environmental solutions. The Company has completed more than 50,000 projects for a wide variety of clients in 122 countries, providing environmental solutions in nearly every ecosystem on the planet. Revenues reflected in the Company's consolidated statements of income represent services rendered for which the Company maintains a primary contractual relationship with its customers. Included in revenues are certain services outside the Company's normal operations which the Company has elected to subcontract to other contractors.

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned and majority owned subsidiaries. Also reflected in the consolidated 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 intercompany transactions and balances have been eliminated.

b. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions as of the date of the financial statements, which affect the reported values of assets and liabilities and revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

c. Revenue recognition

Substantially all of the Company's revenue is derived from environmental consulting work. 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
Time and Materials	Consulting	As incurred at contract rates.
Fixed Price	Consulting	Percentage of completion, approximating the ratio of either total costs or Level of Effort (LOE) hours incurred to date to total estimated costs or LOE hours.

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.

Substantially all of the Company's cost-type work is with federal governmental agencies and, as such, is subject to audits after contract completion. Under these cost-type contracts, provisions for adjustments to accrued revenue are recognized on

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a quarterly basis and based on past audit settlement history. Government audits have been completed and final rates have been negotiated through fiscal year 2005. The Company records an allowance for contract adjustments which is recorded in other accrued liabilities principally represents a reserve for contract adjustments for the fiscal years 1996-2012.

We reduce our contract receivables and costs and estimated 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.

Change orders can occur when changes in scope are made after project work has begun, and can be initiated by either the Company or its clients. Claims are amounts in excess of the agreed contract price which the Company seeks to recover from a client for customer delays and / or errors or unapproved change orders that are in dispute. Costs related to change orders and claims are recognized as incurred. Revenues and profit are recognized on change orders when it is probable that the change order will be approved and the amount can be reasonably estimated. Revenues are recognized only up to the amount of costs incurred on contract claims when realization is probable, estimatable and reasonable support from the customer exists.

All bid and proposal and other pre-contract costs are expensed as incurred. Out of pocket expenses such as travel, meals, field supplies, and other costs billed direct to contracts are included in both revenues and cost of professional services. Sales and cost of sales at the Company's South American subsidiaries exclude tax assessments by governmental authorities, which are collected by the Company from its customers and then remitted to governmental authorities.

d. Investment securities

Investment securities have been classified as available for sale and are stated at fair value. Unrealized gains or losses related to investment securities available for sale are reflected in accumulated other comprehensive income, net of applicable income taxes in the consolidated balance sheets and statements of changes in shareholders' equity. The cost basis of securities sold is based on the specific identification method. The Company had gross unrealized gains of approximately $42,000 and $24,000 at July 31, 2012 and 2011, respectively.

e. Property, building and equipment, depreciation and amortization

Property, building and equipment are stated at the lower of cost or fair market value. Office furniture and all equipment are depreciated on the straight-line method for book purposes, excluding computer equipment which is depreciated on the accelerated method for book purposes, and on accelerated methods for tax purposes over the estimated useful lives of the assets (three to seven years). The headquarters building is depreciated on the straight-line method for both book and tax purposes over an estimated useful life of 32 years. Its components are depreciated over their estimated useful lives ranging from 7 to 15 years. The additional building and warehouse is depreciated on the straight-line method over an estimated useful life of 40 years for both book and tax purposes. Leasehold improvements are amortized for book purposes over the terms of the leases or the estimated useful lives of the assets, whichever is shorter. Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for improvements are capitalized. When property or equipment is retired or sold, any gain or loss on the transaction is reflected in the current year's earnings.

f. Fair value of financial instruments

The Company’s financial assets or liabilities are measured using inputs from the three levels of the fair value hierarchy. The asset’s or liability’s classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company has not elected a fair value option on any assets or liabilities.

The three levels of the hierarchy are as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Generally this includes debt and equity securities and derivative contracts that are traded on an active exchange market (e.g., New York Stock Exchange) as well as certain U.S. Treasury and U.S. Government and agency mortgage-backed securities that are highly liquid and are actively traded in over-the-counter markets. The Company’s investment securities classified as Level 1 are comprised of mutual funds.

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Level 2 Inputs – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, credit risks, etc.) or can be corroborated by observable market data. The Company's investment securities classified as Level 2 are comprised of corporate and municipal bonds.

Level 3 Inputs – Valuations based on models where significant inputs are not observable. The unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use.

The following table presents the level within the fair value hierarchy at which the Company's financial assets are measured on a recurring basis.

Financial assets as of July 31, 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale	$ 1,353,365	$ 51,217	$ ---	$ 1,404,582

Financial assets as of July 31, 2011:

	Level 1	Level 2	Level 3	Total
Assets				
Investment securities available for sale	$ 1,438,286	$ 53,173	$ ---	$ 1,491,459

The carrying amount of cash and cash equivalents at July 31, 2012 and 2011 were classified as level 1 and approximate fair value. Long-term debt consists of bank loans and capitalized equipment leases. The demand loan payable consists of borrowings against the Company's line of credit for working capital requirements. Based on the Company's assessment of the current financial market and corresponding risks associated with the debt and line of credit borrowings, management believes that the carrying amount of the liabilities at July 31, 2012 and 2011 were classified as level 2 and approximates fair value. There were no financial instruments classified as level 3.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. The Company evaluated the significance of transfers between levels based upon the nature of the financial instrument. For the fiscal years ended July 31, 2012 and 2011, there were no transfers in or out of levels 1, 2 or 3, respectively.

g. 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. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. The Company recorded foreign currency transaction gains/(losses) of approximately $(403,000), $284,000 and $(60,000) for the fiscal years ended July 31, 2012, 2011 and 2010, respectively.

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 transaction adjustments which are included in net income. There were no highly inflationary economy translation adjustments for fiscal years 2010- 2012.

h. 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

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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.

Income tax expense includes U.S. and international income taxes, determined using the applicable statutory rates. A deferred tax liability is recognized for all taxable temporary differences, and a deferred tax asset is recognized for all deductible temporary differences and net operating loss carryforwards.

The Company has significant deferred tax assets, resulting principally from contract reserves and accrued expenses. The Company periodically evaluates the likelihood of realization of deferred tax assets, and provides for a valuation allowance when necessary.

Additionally, the Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic Income Taxes, prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. A tax position is a position in a previously filed tax return or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions shall be recognized only when it is more likely than not (likelihood of greater than 50%), based on technical merits, that the position will be sustained. Tax positions that meet the more likely than not threshold should be measured using a probability weighted approach as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a tax position, is a matter of judgment based on the individual facts and circumstances of that position evaluated in light of all available evidence. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in administrative and indirect operating expenses.

i. Defined contribution plans

Ecology and Environment Inc. (Parent Company) has a non-contributory defined contribution plan providing deferred benefits for substantially all of the Parent Company's employees. The annual expense of the Parent Company's supplemental defined contribution plan is based on a percentage of eligible wages as authorized by the Parent Company's Board of Directors. Walsh Environmental (Walsh) has a defined contribution plan providing deferred benefits for substantially all of their employees. Walsh contributes a percentage of eligible wages up to a maximum of 4%.

j. Stock based compensation

The FASB ASC Topic Compensation requires companies to expense the value of employee stock options and similar awards. Share-based payment 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.

k. Earnings per share (EPS)

Basic and diluted EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. The Company allocates undistributed earnings between the classes on a one-to-one basis when computing earnings per share. As a result, basic and fully diluted earnings per Class A and Class B shares are equal amounts. See Note 11 and 15 to Consolidated Financial Statements for additional information.

l. Comprehensive Income

Comprehensive income is defined as "the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources." The term "comprehensive income" is used to describe the total net earnings plus other comprehensive income. Other comprehensive income includes currency translation adjustments on foreign subsidiaries and unrealized gains or losses on available-for-sale securities.

m. Impairment of Long-Lived Assets

The Company assesses recoverability of the carrying value of long-lived assets 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

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fair value. The Company identified no events or changes in circumstances that necessitated an evaluation for an impairment of long lived assets.

n. Goodwill

The total goodwill of approximately $1.2 million is subject to an annual assessment for impairment. The Company's most recent annual impairment assessment for goodwill was completed during the fourth quarter of fiscal year 2012. The results of this assessment showed that the fair values of the reporting units, using a discounted cash flow method, to which goodwill is assigned was in excess of the book values of the respective reporting units, resulting in the identification of no goodwill impairment. Goodwill is also assessed for impairment between annual assessments whenever events or circumstances make it more likely than not that an impairment may have occurred. The Company identified no events or changes in circumstances during the year that necessitated an evaluation for an impairment of goodwill.

3. Cash and Cash Equivalents

The Company's policy is to invest cash in excess of operating requirements in income-producing short-term investments. At July 31, 2012 and 2011, short-term investments consist of money market funds. Short-term investments amounted to approximately $2.2 million and $2.0 million at July 31, 2012 and 2011, respectively and are reflected in cash and cash equivalents in the accompanying consolidated balance sheets and statements of cash flows.

4. Contract Receivables, net

	July 31, 2012	July 31, 2011
Billed	$ 42,977,016	$ 42,636,632
Unbilled	28,829,818	27,869,325
	71,806,834	70,505,957
Allowance for doubtful accounts and contract adjustments	(10,238,391)	(6,755,087)
	$ 61,568,443	$ 63,750,870

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. Management anticipates that the July 31, 2012 unbilled receivables will be substantially billed and collected within one year. Within the above billed balances are contractual retainages in the amount of approximately $248,000 and $222,000 at July 31, 2012 and 2011. Management anticipates that the July 31, 2012 retainage balance will be substantially collected within one year. Included in the balance of receivables are receivables due under the contracts with organizations in Kuwait of $14.5 million and $12.4 million at July 31, 2012 and 2011, respectively. Of the outstanding balances due from Kuwait, approximately $1.9 million and $1.8 million were included in billings in excess of revenue as of July 31, 2012 and 2011, respectively. Additionally, approximately $3.8 million and $3.5 million of allowance for doubtful accounts has been recognized at July 31, 2012 and 2011, respectively.

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5. Property, Building and Equipment, net

	July 31, 2012	July 31, 2011
Land and land improvements	$ 393,051	$ 393,051
Buildings and building improvements	12,231,788	12,149,915
Equipment	3,214,319	3,786,584
Information technology equipment	12,591,421	9,576,535
Office furniture and equipment	3,898,444	3,835,900
Leasehold improvements and other	2,363,250	2,237,992
	$ 34,692,273	$ 31,979,977
Accumulated depreciation and amortization	(22,584,958)	(22,972,422)
	12,107,315	9,007,555
Construction in progress	4,763	953,749
	$ 12,112,078	$ 9,961,304

6. Line of Credit

The Company maintains an unsecured line of credit available for working capital and letters of credit of $34 million at interest rates ranging from 2.5% to 5% at July 31, 2012. The Company guarantees the line of credit of Walsh Environmental Scientists and Engineers, LLC (Walsh). Its lenders have reaffirmed the Company's lines of credit within the past twelve months. At July 31, 2012 and 2011, the Company had letters of credit and loans outstanding totaling approximately $14.9 million and $4.1 million, respectively. After letters of credit and loans, there was $19.1 million of availability under the lines of credit at July 31, 2012.

7. Debt and Capital Lease Obligations

Debt, inclusive of capital lease obligations, consists of the following:

	July 31, 2012	July 31, 2011
Various bank loans and advances at subsidiaries with interest rates ranging from 5% to 14%	$ 372,744	$ 1,907,369
Capital lease obligations at subsidiaries with varying interest rates averaging 11%	218,351	230,942
	591,095	2,138,311
Current portion of debt and capital lease obligations	(488,460)	(1,689,920)
Long-term debt and capital lease obligations	$ 102,635	$ 448,391

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The aggregate maturities of long-term debt and capital lease obligations at July 31, 2012 are as follows:

	Amount
Fiscal Year 2013	$ 488,460
Fiscal Year 2014	87,693
Fiscal Year 2015	14,942
Fiscal Year 2016	---
Fiscal Year 2017	---
Thereafter	---
	$ 591,095

8. Income Taxes

Income (loss) from continuing operations before provision (benefit) for income taxes and noncontrolling interest was as follows:

	2012	2011	2010
Domestic	$ (993,959)	$ 7,212,154	$ 3,216,835
Foreign	5,391,625	5,543,017	7,242,054
	4,397,666	12,755,171	10,458,889

The provision (benefit) for income taxes for the years ended July 31 was as follows:

	2012	2011	2010
Current:			
Federal	$ (175,203)	$ 3,014,130	$ 1,381,857
State	(232,800)	786,651	411,636
Foreign	1,652,202	1,740868	1,636,274
	1,244,199	5,541,649	3,429,767
Deferred:			
Federal	509,161	(409,268)	262,326
State	(35,273)	(91,656)	77,151
Foreign	(360,171)	(409,489)	132,978
	113,717	(910,413)	472,455
	$ 1,357,916	$ 4,631,236	$ 3,902,222

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A reconciliation of income tax expense (benefit) using the statutory U.S. income tax rate compared with actual income tax expense (benefit) for the years ended July 31 was as follows:

	2012	2011	2010
U.S. federal statutory income tax rate	34.0%	34.0%	34.0%
Income from "pass-through" entities taxable to noncontrolling partners	(5.8%)	(2.3%)	(1.3%)
International rate differences	(7.5%)	(2.1%)	(2.4%)
Other foreign taxes, net of federal benefit	4.8%	0.9%	1.7%
Foreign dividend income	7.5%	3.3%	1.9%
Domestic manufacturing deduction	---	(1.8%)	(0.3%)
State taxes, net of federal benefit	0.3%	3.4%	3.5%
Re-evaluation and settlements of tax contingencies	(4.1%)	---	(0.9%)
Other permanent differences	1.7%	0.9%	1.1%
Total	30.9%	36.3%	37.3%

The significant components of deferred tax assets (liabilities) as of July 31 are as follows:

	2012		2011	
	Current	Noncurrent	Current	Noncurrent
Contract and other reserves	$ 4,004,631	$ ---	$ 3,561,551	$ ---
Fixed assets and intangibles	---	(579,932)	---	159,452
Accrued compensation and expenses	1,267,004	531,386	1,537,003	381,767
Net operating loss carryforwards	---	555,437	---	282,885
Foreign and state income taxes	---	65,274	---	117,122
Federal benefit on state deferred taxes	(192,927)	(41,259)	(188,199)	(33,383)
Foreign tax credit	---	295,674	---	346,469
Valuation Allowance	(258,831)	(61,406)	(267,371)	(79,098)
Other	(20,153)	95,325	306,384	124,967
Net deferred tax assets	$ 4,799,724	$ 860,499	$ 4,949,368	$ 1,300,181
Other	$ ---	$ (423,324)	$ ---	$ (525,106)
Net deferred tax liabilities	$ ---	$ (423,324)	$ ---	$ (525,106)

The FASB ASC Topic Income Taxes 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 first step involves assessing whether the tax position is more likely than not to be sustained upon examination based on the technical merits. The second step involves measurement of the amount to recognize. Tax positions that meet the more likely then not threshold are measured at the largest amount of tax benefit greater than 50% likely of being realized upon ultimate finalization with tax authorities.

For fiscal years 2012 and 2011, there was no one item that significantly impacted the change in the deferred tax assets and liabilities. A valuation allowance of approximately $320,000 has been established primarily on excess foreign tax credit carryforwards, the utilization of which is dependent on future foreign source income.

The Company has not recorded income taxes applicable to undistributed earnings of all foreign subsidiaries that are indefinitely reinvested in those operations. At July 31, 2012, these amounts totaling approximately $6.6 million related primarily to operations in Saudi Arabia, Chile, Peru and Ecuador.

The Company files numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. In fiscal year 2010, the Internal Revenue Service (IRS) completed the audit for fiscal year 2008 with no proposed changes. In fiscal year 2011, the IRS completed the audit for fiscal year 2009 with no proposed changes. In

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October 2012, the IRS completed an examination of the fiscal year 2010 income tax return, which was settled without material adjustment. The Company's tax matters for the fiscal years 2011 and 2012 remain subject to examination by the IRS. In fiscal year 2012, the Company was audited by New York State for fiscal years 2008 through 2010 and this examination has been completed with no changes. The Company's tax matters in other material jurisdictions remain subject to examination by the respective state, local, and foreign tax jurisdiction authorities. No waivers have been executed that would extend the period subject to examination beyond the period prescribed by statute.

For the year ended July 31, 2012, the Company has generated approximately $0.2 million of net operating losses in the U.S. These net operating losses will be carried back to an earlier year and be fully utilized. Net operating losses still exist pertaining to operations in Brazil, Canada and China.

At July 31, 2012 and 2011, the Company had approximately $131,000 and $531,000, respectively, of gross unrecognized tax benefits (UTPs) that if realized, would favorably affect the effective income tax rate in future periods. It is reasonably possible that the liability associated with UTPs will increase or decrease within the next twelve months. At this time, an estimate of the range of the reasonably possible outcomes cannot be made. At July 31, 2012 and 2011, the liability for UTPs and associated interest and penalties are all classified as noncurrent liabilities. For fiscal year ended July 31, 2012 and 2011, E & E recognized interest and penalties expense of approximately $68,000 and $44,000, respectively. At July 31, 2012, the Company has accrued $86,000 for interest and penalties on remaining uncertain tax positions.

A reconciliation of the beginning and ending amount of UTPs as of July 31 is as follows:

	2012	2011
Beginning balance	$ 530,500	$ 240,900
Additions for tax positions during the current year	---	280,700
Additions for tax positions of prior years	23,100	40,300
Reductions for tax positions of prior years for:		
- Changes in judgment	---	---
- Settlements during the period	(422,300)	(31,400)
- Changes in non-controlling interests	---	---
- Lapses of the applicable statute of limitations	---	---
Ending balance	$ 131,300	$ 530,500

9. Other Accrued Liabilities

	July 31, 2012	July 31, 2011
General cost disallowances	$ 2,724,474	$ 3,882,810
Other	1,208,114	2,256,613
	$ 3,932,588	$ 6,139,423

Included in other accrued liabilities is an allowance for contract adjustments relating to potential cost disallowances on amounts billed and collected in current and prior years' projects. The allowance for contract adjustments is recorded for contract disputes and government audits when the amounts are estimatable.

10. Stock Award Plan

Ecology and Environment, Inc. has adopted a 1998 Stock Award Plan effective March 16, 1998 (1998 Plan). To supplement the 1998 Plan, a 2003 Stock Award Plan (2003 Plan) was approved by the shareholders at the Annual Meeting held in January 2004 and a 2007 Stock Award Plan (2007 Plan) was approved by the shareholders at the Annual Meeting held in January of 2008 (the 1998 Plan, 2003 Plan and the 2007 Plan collectively referred to as the Award Plan). The 2003 Plan was approved retroactive to October 16, 2003 and terminated on October 15, 2008 and the 2007 Plan was approved retroactive to October 18, 2007 and terminated on October 17, 2012.

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The Company awarded 62,099 shares valued at approximately $.9 million in October 2011 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 was $330,000 and $225,000 at July 31, 2012 and 2011, respectively. Total gross compensation expense is recognized over the vesting period. Unrecognized compensation expense was approximately $.8 million and $.7 million at July 31, 2012 and 2011, respectively.

11. Shareholders' Equity

a. Class A and Class B common stock

The relative rights, preferences and limitations of the Company's Class A and Class B common stock can be summarized as follows: Holders of Class A shares are entitled to elect 25% of the Board of Directors so long as the number of outstanding Class A shares is at least 10% of the combined total number of outstanding Class A and Class B common shares. Holders of Class A common shares have one-tenth the voting power of Class B common shares with respect to most other matters.

In addition, Class A shares are eligible to receive dividends in excess of (and not less than) those paid to holders of Class B shares. Holders of Class B shares have the option to convert at any time, each share of Class B common stock into one share of Class A common stock. Upon sale or transfer, shares of Class B common stock will automatically convert into an equal number of shares of Class A common stock, except that sales or transfers of Class B common stock to an existing holder of Class B common stock or to an immediate family member will not cause such shares to automatically convert into Class A common stock.

b. Cash Dividend

The Company declared cash dividends of approximately $2.0 million in fiscal years 2012 and 2011. Within accounts payable, the Company recorded outstanding dividend payables at July 31, 2012 and 2011 of approximately $1.0 million, respectively.

c. Stock Repurchase

The Company’s Board of Directors approved a 200,000 share repurchase program in August 2010 in which 93,173 shares remain available for repurchase.

d. Noncontrolling Interest

The Company’s noncontrolling interest is disclosed as a separate component of the Company’s consolidated equity on the balance sheets. Earnings and other comprehensive income are separately attributed to both the controlling and noncontrolling interests. Earnings per share is calculated based on net income attributable to the Company’s controlling interest.

On January 4, 2012, the Company purchased an additional 1.3% of Walsh from noncontrolling shareholders for approximately $254,000. Two thirds of the purchase price was paid in cash while the remaining one third was paid for with E&E stock. On December 14, 2011, the Company purchased an additional 4.0% of E&E do Brasil from noncontrolling shareholders for approximately $180,000. The entire purchase price was paid in cash. On November 18, 2011, the Company purchased an additional 3.9% of Walsh Peru from noncontrolling shareholders for approximately $432,000. The entire purchase price was paid in cash. There were three additional purchases of noncontrolling interest in fiscal year 2012 for which the Company paid cash of approximately $128,000.

On June 6, 2011, the Company purchased an additional 1.1% of Walsh from noncontrolling shareholders for approximately $219,000. The Company paid one third in cash, one third in a two-year note, and issued E&E stock for the remaining one third of the sale price. On March 18, 2011 the Company purchased an additional equity of 5.5% of Walsh, from noncontrolling shareholders for approximately $1,156,000. The Company paid one third in cash, one third in a two-year note, and issued E&E stock for the remaining one third of the sale price. On December 27, 2010, the Company purchased an additional 1.2% of Walsh from noncontrolling shareholders for approximately $257,000. Two thirds of the purchase price was paid in cash while the remaining one third was paid for with E&E stock. On August 23, 2010, for approximately $1.1 million, the Company purchased assets and assumed liabilities from Engineering Consulting Services, Inc. and contributed them in exchange for a 60% ownership interest in the newly formed entity Engineering Consulting Services, Inc., LLC (ECSI). As part of this transaction, the noncontrolling interest contributed the remaining 40% of the net assets which resulted in a $667,000 noncontrolling interest in ECSI.

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Most transactions with noncontrolling shareholders for the fiscal year ended July 31, 2012 and 2011 were made at book value, which management believes approximates fair value. The purchase of the Walsh Peru and E&E do Brasil shares, were at a calculated value in excess of book value which management believes approximated the fair value.

Effects of changes in E & E's ownership interest in its subsidiaries on E&E's equity:

	Fiscal year ended July 31, 2012	Fiscal year ended July 31, 2011	Fiscal year ended July 31, 2010
Transfers to noncontrolling interest:			
Sale of 160 Walsh common shares	$ ---	$ ---	$ 40,850
Sale of 196 Walsh common shares	---	---	50,040
Sale of 200 Lowham – Walsh common shares	---	---	52,222
Sale of 15,000 Walsh Peru common shares	---	---	84,450
Sale of 900 Gustavson common shares	---	62,451	---
Issuance of 667 ECSI common shares	---	667,000	---
Sale of 75 Lowham – Walsh common shares	---	27,917	---
Sale of 600 Gustavson common shares	41,634	---	---
Total transfers to noncontrolling interest	41,634	757,368	227,562
Transfers from noncontrolling interest:			
Purchase of 182 Walsh common shares	---	---	(59,486)
Purchase of 7,343 Walsh common shares	---	---	(2,289,778)
Purchase of 11,000 Walsh Peru common shares	---	---	(126,830)
Purchase of 50 Gestion Ambiental Consultores common shares	---	---	(50,000)
Purchase of 20 Walsh common shares	---	(7,776)	---
Purchase of 496 Walsh common shares	---	(208,156)	---
Purchase of 2,205 Walsh common shares	---	(974,750)	---
Purchase of 243 Walsh common shares	---	(101,905)	---
Purchase of 426 Walsh common shares	---	(197,945)	---
Purchase of 100 Walsh common shares	---	(41,091)	---
Purchase of 152 Walsh common shares	(73,748)	---	---
Purchase of 496 Walsh common shares	(269,064)	---	---
Purchase of 5,389 Brazil common shares	77,539	---	---
Purchase of 26,482 Walsh Peru common shares	(213,917)	---	---
Purchase of 166 Walsh common shares	(94,601)	---	---
Purchase of 25 Gestion Ambiental Consultores common shares	(7,452)	---	---
Total transfers from noncontrolling interest	(581,243)	(1,531,623)	(2,526,094)
Transfers to (from) noncontrolling interest	$ (539,609)	$ (774,255)	$ (2,298,532)

12. Shareholders' Equity - Restrictive Agreement

Messrs. Gerhard J. Neumaier, Silvestro, Frank, and Strobel entered into a Stockholders' Agreement dated May 12, 1970, as amended January 24, 2011, which governs the sale of certain shares of common stock owned by them and the children of those individuals. The Agreement provides that prior to accepting a bona fide offer to purchase the certain covered 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.

13. Lease Commitments

The Company rents certain office facilities and equipment under non-cancelable operating leases. The Company also rents certain facilities for servicing project sites over the term of the related long-term government contracts.

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At July 31, 2012, future minimum rental commitments are as follows:

Fiscal Year	Amount
2013	$ 3,114,799
2014	2,325,349
2015	1,460,362
2016	1,027,248
2017	854,542
Thereafter	1,066,545

Lease agreements may contain step rent provisions and/or free rent concessions. Lease payments based on a price index have rent expense recognized on a straight line or substantially equivalent basis, and they are included in the calculation of minimum lease payments. Gross rental expense under the above lease commitments for 2012, 2011, and 2010 was approximately $4.2 million, $3.6 million and $3.2 million, respectively.

14. Defined Contribution Plans

Contributions to the Parent Company's defined contribution plan and supplemental retirement plan are discretionary and determined annually by the Board of Directors. Walsh's defined contribution plan provides for mandatory employer contributions to match 100% of employee contributions up to 4% of each participant's compensation. The total expense under the plans for fiscal years 2012, 2011, and 2010 was approximately $1.8 million, $2.2 million, and $2.0 million, respectively.

15. Earnings Per Share

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

		Fiscal Year	
	2012	2011	2010
Total income available to common stockholders	$ 773,579	$ 6,960,263	$ 4,257,607
Dividend paid	2,036,559	1,963,303	1,747,572
Undistributed earnings	(1,262,980)	4,996,960	2,510,035
Weighted-average common shares outstanding: basic and diluted	4,233,883	4,222,688	4,160,816
Distributed earnings per share	$ .48	$ .46	$ .42
Undistributed earnings per share	(.30)	1.19	.60
Total earnings per share	$ .18	$ 1.65	$ 1.02

After consideration of all the rights and privileges of the Class A and Class B stockholders discussed in Note 8, in particular the right of the holders of the Class B common stock to elect no less than 75% of the Board of Directors making it highly unlikely that the Company will pay a dividend on Class A common stock in excess of Class B common stock, the Company allocates undistributed earnings between the classes on a one-to-one basis when computing earnings per share. As a result, basic and fully diluted earnings per Class A and Class B share are equal amounts.

The Company has determined that its unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities. These securities shall be included in the computation of earnings per share pursuant to the two-class method. The resulting impact was to include unvested restricted shares in the basic weighted average shares outstanding calculation.

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16. Segment Reporting

Segment information for fiscal year ended July 31, 2012 are as follows:

Geographic information:

	Revenue (1)	Gross Long-Lived Assets
United States	$ 98,558,000	$ 29,506,000
Foreign countries	56,852,000	5,191,000

(1) Revenue is attributed to countries based on the location of the customers. Revenues in the most significant foreign countries for fiscal year ended July 31, 2012 includes $17.2 million in Peru, $15.7 million in Brazil and $11.3 million in Chile.

Segment information for fiscal year ended July 31, 2011 are as follows:

Geographic information:

	Revenue	Gross Long-Lived Assets
United States	$ 115,041,000	$ 27,872,000
Foreign countries	54,132,000	5,062,000

(1) Revenue is attributed to countries based on the location of the customers. Revenues in the most significant foreign countries for fiscal year ended July 31, 2011 includes $15.9 million in Peru, $11.8 million in Brazil, $9.1 million in Kuwait, $8.3 million in Chile and $4.4 million in Morocco.

Segment information for fiscal year ended July 31, 2010 are as follows:

Geographic information:

	Revenue	Gross Long-Lived Assets
United States	$ 101,105,000	$ 25,991,000
Foreign countries	42,993,000	3,714,000

(1) Revenue is attributed to countries based on the location of the customers. Revenues in the most significant foreign countries for fiscal year ended July 31, 2010 includes $19.2 million in Peru, $10.5 million in Brazil, $5.4 million in Kuwait, and $3.8 million in Chile.

17. Commitments and Contingencies

From time to time, the Company is a 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, financial condition, cash flows, 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.

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On September 21, 2012 the Colorado Department of Public Health and Environment (the “Department”) issued a proposed Compliance Order on Consent (the “Consent Order”) to the City and County of Denver (“Denver”) and to Walsh Environmental Scientists & Engineers LLC (“Walsh Environmental”). Walsh Environmental is a majority-owned subsidiary of Ecology and Environment, Inc. The proposed Consent Order concerns construction improvement activities of certain property owned by Denver which was the subject of asbestos remediation. Denver had entered into a contract with Walsh Environmental for Walsh Environmental to provide certain environmental consulting services (asbestos monitoring services) in connection with the asbestos containment and/or removal performed by other contractors at Denver’s real property. The Consent Order, among other provisions, proposes a violation penalty of $216,000, jointly and severally to be paid by Denver and Walsh Environmental. Under Walsh’s Environmental consulting contract with Denver, Walsh Environmental has agreed to indemnify Denver for certain liabilities which would include the imposition of this proposed penalty. Walsh Environmental has put its professional liability carrier on notice of this claimed penalty. At this time, neither Walsh nor Denver have filed a response to the September 21, 2012 draft Consent Order. It is the position of Walsh Environmental that it has fully complied with all applicable Colorado laws, regulations and statutes in connection with its role as an environmental consultant to Denver and the claimed violations are not applicable to the activities of Walsh in connection with its environmental consulting contract with Denver. The Company believes that this administrative proceeding involving Walsh Environmental will not have an adverse material effect upon the operations of the Company.

On February 4, 2011 the Chico Mendes Institute of Biodiversity Conservation of Brazil (the “Institute”) issued a Notice of Infraction to Ecology and Environment do Brasil LTDA (“E & E Brasil”). E & E Brasil is a majority-owned subsidiary of Ecology and Environment, Inc. The Notice of Infraction concerns the taking and collecting species of wild animal specimens without authorization by the competent authority and imposes a fine of 520,000 Reais, which has a value of approximately $255,000 at July 31, 2012. No claim has been made against Ecology and Environment, Inc. The Institute has also filed Notices of Infraction against four employees of E & E Brasil alleging the same claims and has imposed fines against those individuals that, in the aggregate, are equal to the fine imposed against E & E Brasil. E & E Brasil has filed administrative responses with the Institute for itself and its employees that: (a) denies the jurisdiction of the Institute, (b) states that the Notice of Infraction is constitutionally vague and (c) affirmatively stated that E & E Brasil had obtained the necessary permits for the surveys and collections of specimens under applicable Brazilian regulations and that the protected conservation area is not clearly marked to show its boundaries. At this time, E & E Brasil has attended one meeting where depositions were taken. The Company believes that these administrative proceedings in Brazil will not have an adverse material effect upon the operations of the Company.

18. Supplemental Cash Flow Information Disclosure

For purposes of the consolidated statements 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 approximately $395,000, $343,000 and $224,000 for the fiscal years ended July 31, 2012, 2011 and 2010, respectively. Cash paid for income taxes amounted to approximately $6.5 million, $5.6 million and $1.5 million for the fiscal years ended July 31, 2012, 2011 and 2010, respectively. Of the $2.0 million in dividends paid by the Company in the fiscal year ended July 31, 2012, approximately $1.0 million was accrued in accounts payable as of July 31, 2011. Of the $1.8 million in dividends paid by the Company in the fiscal year ended July 31, 2011, approximately $.9 million was included in accounts payable as of July 31, 2010. In July 2012, the Company declared a dividend of $1.0 million which was accrued in accounts payable. On December 14, 2011, the Company increased its capital investment in its Brazilian subsidiary (Ecology and Environment do Brasil, LTDA.) by $1.5 million, which increased the Company’s ownership in the entity to 68%. The Company also purchased an additional 4% of the entity from its president for approximately $180,000, which increased the Company’s ownership in the entity to 72%. The Brazilian company has experienced increased revenue growth and the additional investment of $1.5 million will be used for working capital needs in the country.

On March 18, 2011 the Company purchased an additional equity of 5.5% of its majority owned subsidiary Walsh from noncontrolling shareholders for approximately $1,156,000. The Company paid one third in cash, one third in a two-year note, and issued E & E stock for the remaining one third of the sale price. On December 27, 2010, the Company purchased an additional 1.2% of its majority owned subsidiary Walsh for approximately $257,000. Two thirds of this purchase price was paid in cash while the remaining one third was paid for with E&E stock. On August 23, 2010, the Company purchased a 60% ownership in the assets held by ECSI. The Company paid $1.0 million in cash for this ownership interest, and the noncontrolling partnership group ECSI, Inc. contributed cash, other assets, and liabilities for its 40% ($667,000) noncontrolling share of the new entity.

19. Transactions

On January 4, 2012, the Company purchased an additional 1.3% of Walsh from noncontrolling shareholders for approximately $254,000. Two thirds of the purchase price was paid in cash while the remaining one third was paid for with E&E stock. With this purchase E&E's ownership share in Walsh increased to approximately 86% of that company.

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On December 14, 2011, the Company increased its capital investment in its Brazilian subsidiary (Ecology and Environment do Brasil, LTDA.) by $1.5 million USD, which increased the Company's ownership in the entity to 68%. The Company also purchased an additional 4% of the entity from its president for approximately $180,000 USD, which increased the Company's ownership in the entity to 72%. The Brazilian company has experienced increased revenue growth and the $1.5 million investment will be used for working capital needs in the country.

On November 18, 2011, the Company purchased an additional 3.9% of Walsh Peru from noncontrolling shareholders for approximately $432,000. The entire purchase price was paid in cash.

On June 6, 2011, the Company purchased an additional 1.1% of Walsh from noncontrolling shareholders for approximately $219,000. The Company paid one third in cash, one third in a two-year note, and issued E&E stock for the remaining one third of the sale price. With this purchase E&E's ownership share in Walsh increased to approximately 85% of that company.

On March 18, 2011 the Company purchased 5.5% of Walsh from noncontrolling shareholders for approximately $1,156,000. The Company paid one third in cash, one third in a two-year note, and issued E&E stock for the remaining one third of the sale price.

On December 27, 2010, the Company purchased an additional 1.2% of Walsh from noncontrolling shareholders for approximately $257,000. Two thirds of the purchase price was paid in cash while the remaining one third was paid for with E&E stock.

On August 23, 2010 the Company purchased a 60% ownership interest in ECSI, LLC, a Lexington, Kentucky based engineering and environmental consulting company that specializes in mining work. The Company paid $1.0 million for this ownership interest and contributed the assets into a newly formed company. The company was consolidated into the Company's financial reporting beginning in the first quarter of fiscal year 2011.

20. Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have issued common disclosure requirements related to offsetting arrangements. Specifically, the FASB issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in this ASU require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The Company has not yet assessed the impact that these provisions will have on its consolidated financial statements.

In June 2011, the FASB issued ASU No. 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 increases the prominence of other comprehensive income in financial statements. Under ASU 2011-05, companies will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. ASU 2011-05 eliminates the option to present other comprehensive income in the statement of changes in equity and is applied retrospectively. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company does not expect the adoption of ASU 2011-05 to have a significant impact on its consolidated financial statements.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This ASU provides a consistent definition of fair value to ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. This standard changes certain fair value measurement principles and enhances the disclosure requirements. ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011 and should be applied prospectively. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

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21. Selected Quarterly Financial Data (unaudited)
(In thousands, except per share information)

2012		First		Second		Third		Fourth
Revenues	$	42,312	$	40,173	$	36,011	$	36,914
Income from operations		2,040		1,867		574		303
Income from continuing operations before income taxes		2,084		1,685		503		126
Net income	$	1,160	$	503	$	56	$	(945)
Net income per common share: basic and diluted	$	.28	$	.12	$	.01	$	(.23)

2011		First		Second		Third		Fourth
Revenues	$	42,026	$	41,866	$	41,120	$	44,161
Income from operations		4,008		3,204		2,199		2,975
Income from continuing operations before income taxes		3,941		3,238		2,587		2,989
Net income	$	1,859	$	1,758	$	1,429	$	1,914
Net income per common share: basic and diluted	$	.44	$	.42	$	.34	$	.45

ECOLOGY AND ENVIRONMENT, INC.
SCHEDULE II
Valuation and Qualifying Accounts
Years Ended July 31, 2012, 2011, and 2010

		Balance at beginning of period		Increase		Decrease		Balance at end of year
July 31, 2012								
Allowance for doubtful accounts and contract adjustments	$	6,755,087	$	5,080,894	$	1,597,590	$	10,238,391
General cost disallowances		3,882,810		---		1,158,336		2,724,474
Total	$	10,637,897	$	5,080,894	$	2,755,926	$	12,962,865

July 31, 2011								
Allowance for doubtful accounts and contract adjustments	$	3,373,673	$	6,042,070	$	2,660,656	$	6,755,087
General cost disallowances		3,483,876		899,875		500,941		3,882,810
Total	$	6,857,549	$	6,941,945	$	3,161,597	$	10,637,897
July 31, 2010								
Allowance for doubtful accounts and contract adjustments	$	2,520,338	$	1,463,072	$	609,737	$	3,373,673
General cost disallowances		3,417,828		66,048		---		3,483,876
Total	$	5,938,166	$	1,529,120	$	609,737	$	6,857,549

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosures

None to report.

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Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management, with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 promulgated under the Exchange Act. Based upon this evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were (1) designed to ensure that material information relating to our Company is accumulated and made known to our management, including our chief executive officer and chief financial officer, in a timely manner, particularly during the period in which this report was being prepared, and (2) effective, in that they provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Management believes, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a Company have been detected.

Internal Controls

During the fiscal year, we implemented an Enterprise Resource Planning (ERP) system that resulted in a material change in internal controls over financial reporting. This new system, went online January 1, 2012, and will support our global accounting operations consisting of planning, accounting and management reporting modules. We believe the implementation was necessary to support increased volumes and transaction complexities related to the growth of our business, particularly with our domestic and international subsidiaries, as well as to reduce the number of manual processes. The new system, which required minimal customizations by the Company, was purchased from a leading internationally respected software provider of enterprise software solutions. The Company engaged a leading business and technology consulting firm to implement the new system. The implementation of the system included a three phased approach where business process walk-throughs were performed in order to test processes and transactions and to train users. Post-implementation reviews were conducted by management to ensure that internal controls surrounding the system implementation process, the applications, and the closing process were properly designed to prevent material financial statement errors. In addition to our recurring account reconciliations and reviews as part of our normal close process, we also performed incremental substantive procedures during the year, including analytical assessments to validate the accuracy of key financial balances and amounts and review of key reports used in the financial reporting close process.

Other than the changes related to this new system, no other changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officer and effected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP. Internal controls include those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our consolidated financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of July 31, 2012 based on the criteria in Internal Control—Integrated Framework issued by the COSO. Based upon this assessment, management has concluded that our internal control over financial reporting was effective as of July 31, 2012.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

Item 9B. Other Information

None to report.

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PART III

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth the names, ages and positions of the Directors and executive officers of the Company.

Name	Age	Position
Kevin S. Neumaier	48	President and Chief Executive Officer
Gerhard J. Neumaier	75	Chairman of the Board and Director
Frank B. Silvestro	75	Executive Vice President and Director
Gerald A. Strobel	72	Executive Vice President of Technical Services and Director
Ronald L. Frank	74	Executive Vice President, Secretary, and Director
H. John Mye III	60	Vice President, Chief Financial and Accounting Officer, and Treasurer
Gerard A. Gallagher, Jr.	81	Director
Laurence M. Brickman	68	Senior Vice President
Michael C. Gross	52	Director
Ross M. Cellino	80	Director
Timothy Butler	71	Director

Each Director is elected to hold office until the next annual meeting of shareholders and until his successor is elected and qualified. Executive officers are elected annually and serve at the discretion of the Board of Directors. Below is information about each of the Directors that briefly discusses the specific experience, qualifications, attributes or skills that led the Board of Directors to conclude that each Director should serve on the Board of Directors.

Mr. Kevin S. Neumaier serves as the President and Chief Executive Officer of the Company. Mr. Kevin S. Neumaier has previously worked as the Company's Senior Vice President of Environmental Sustainability and Chief Information Officer. Mr. Kevin S. Neumaier has a B.S. in Civil/Environmental Engineering, a M.S. in Natural Science specializing in global ecology, and is a registered Professional Engineer.

Mr. Gerhard J. Neumaier is a founder of the Company and served as the President and a Director since its inception in 1970. On August 1, 2008, Mr. Kevin S. Neumaier became President. Mr. Gerhard J. Neumaier remains as Chairman of the Board of Directors. Mr. Gerhard J. Neumaier has a B.M.E. in engineering and a M.A. in physics.

Mr. Silvestro is a founder of the Company and has served as a Vice President and a Director since its inception in 1970. In August 1986, he became Executive Vice President. Mr. Silvestro has a B.A. in physics and an M.A. in biophysics.

Mr. Strobel is a founder of the Company and has served as a Vice President and a Director since its inception in 1970. In August 1986, he became Executive Vice President of Technical Services. Mr. Strobel is a registered Professional Engineer with a B.S. in civil engineering and a M.S. in sanitary engineering.

Mr. Frank is a founder of the Company and served as Secretary, Treasurer, Vice President of Finance and a Director since its inception in 1970. In August 1986, he became Executive Vice President of Finance. On January 18, 2008, Mr. Frank resigned his position as Chief Financial Officer and Treasurer of the Company. Mr. Frank continues in his positions as Executive Vice President, Secretary and Director of the Company. Mr. Frank has a B.S. in engineering and a M.S. in biophysics.

Messrs. Gerhard J. Neumaier, Silvestro, Strobel and Frank each have over forty years of work experience in managing the Company and knowing its customers, that make them uniquely qualified to serve as Directors.

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Mr. Mye was appointed Chief Financial Officer, a Vice President and Treasurer of the Company on January 18, 2008. Mr. Mye has an MBA and is a registered professional engineer in New York.

Mr. Gallagher joined the Company in 1972, has served as a Director since 1986, and retired from the Company in February 2001 as a Senior Vice President. Mr. Gallagher has a B.S. in physics. Mr. Gallagher's tenure of over 38 years with the Company, principally in government contracting, provides an important understanding of the Company's markets that makes him a valuable member of the Board.

Mr. Brickman joined the Company in 1971. He became Vice President in April 1988 and became a Senior Vice President in August, 1994. Mr. Brickman has a B.S., M.S. and Ph.D. in biology.

Mr. Gross has been a Director of the Company since January 21, 2010. Mr. Gross is employed by the State of New York, has a B.S. in accounting and is a licensed property and casualty insurance broker. Mr. Gross' accounting and insurance experience provide important skills to the Board's strategic decision-making process.

Mr. Cellino has been a Director of the Company since its inception in 1970. Mr. Cellino has an undergraduate major in economics and is an attorney and counselor-at-law retired from private practice. Mr. Cellino's experience as the founder and managing partner of a Buffalo, NY law firm and over 40 year association with the Company provides the Board valuable managerial perspective and insight.

Mr. Butler has been a Director since 2003. Mr. Butler is a retired bank executive with 38 years of experience as a senior bank officer concentrating in business lending and finance. Mr. Butler has high-level financial, executive and management skills. His prior positions provided him with extensive experience in financial and budgeting matters, and he provides this experience to the Board.

The Company has a separately-designated standing Audit Committee established in accordance with section 3 (a) 58 (A) of the Securities Exchange Act of 1934 and the requirements of the American Stock Exchange and NASDAQ. The members of the Audit Committee are Timothy Butler, Ross M. Cellino, and Michael C. Gross.

The Board of Directors has designated that Mr. Butler is the Audit Committee financial expert serving on its audit committee. Mr. Butler is independent, as that term is used in Item 7(d)(3)(iv) of Schedule 14A of the Securities Exchange Act Regulations.

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer and controller, as well as all other employees and the directors of the Company. The code of ethics, which the Company calls its Code of Business Conduct and Ethics, was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended July 31, 2004 and is posted on the Company's website at www.ene.com. If the Company makes any substantive amendments to, or grants a waiver (including an implicit waiver) from, a provision of its code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, the Company will disclose the nature of such amendment or waiver in a current report on Form 8-K.

The Board Leadership Structure and Risk Oversight

The Board operates under the leadership of the Chairman. There is no prohibition in the Company's bylaws that precludes the Chairman from also assuming the role of Chief Executive Officer. Since August 1, 2008, it has been the Company's practice to have a different individual fill the role of Chairman and Chief Executive Officer, except for during times of transition when the same person may fill both roles in an interim capacity while an appropriate candidate is found to assume the vacant position. E&E believes the current leadership structure provides the appropriate balance of oversight, independence, administration and hands-on involvement in Board activities that are required for the efficient conduct of corporate governance activities.

The Board of Directors is responsible for overseeing the Company's risk profile and management's processes for managing risk. This oversight is conducted primarily through the Board's Audit Committee. The Audit Committee focuses on financial risks, including those that could arise from accounting and financial reporting processes, as well as review of overall risk function and senior management's establishment of appropriate systems and processes for managing areas of material risk to the Company, including, but not limited to, operational, financial, legal, regulatory and strategic risks.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Executive Officers and Directors, and persons who beneficially own more than ten percent (10%) of the Company's stock, to file initial reports of ownership and reports of changes in

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ownership with the Securities and Exchange Commission. Executive Officers, Directors and greater than ten percent (10%) beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company and written representations from the Company's Executive Officers and Directors, the Company believes that during the fiscal year ending July 31, 2012 all Section 16(a) filing requirements applicable to its Executive Officers, Directors and greater than ten percent (10%) beneficial owners were complied with by such persons.

Item 11. Executive Compensation

The Company's Board of Directors, acting as a Compensation Committee of the whole (see Item 1 Business - Corporate Governance/American Stock Exchange Rules), is responsible for overseeing all of the executive compensation and equity plans and programs to ensure that its officers and senior staff are compensated in a manner that is consistent with its competitively based annual and long term performance goals.

There is shown below information concerning the annual and long-term compensation for services in all capacities to the Company for the fiscal years ended July 31, 2012, 2012 and 2010 of those persons who were at July 31, 2012 the chief executive officer, and the two other most highly compensated executive officers with annual salary and bonus for the fiscal year ended July 31, 2012 in excess of $100,000. In this report, the four persons named in the table below are referred to as the "Named Executives."

SUMMARY COMPENSATON TABLE

		Annual Compensation			Long-Term Compensation				
Name and Principal Position	Fiscal Year	Salary	Bonus (1)	Other	Stock Incentive Options (Shares)	Restricted Stock Awards (3)	Long-Term Compensation Payouts	All Other (2)	Total
Kevin S. Neumaier	2012	$237,338	---	-0-	-0-	-0-	-0-	$10,130	$247,468
President and CEO	2011	$206,846	$100,000	-0-	-0-	$12,648	-0-	$12,614	$332,108
	2010	$200,000	$55,000	-0-	-0-	$18,990	-0-	$12,628	$286,618
Gerhard J. Neumaier	2012	$377,878	---	-0-	-0-	-0-	-0-	$10,396	$388,274
Chairman of the Board	2011	$367,122	$111,000	-0-	-0-	-0-	-0-	$12,845	$490,967
	2010	$357,315	$60,000	-0-	-0-	-0-	-0-	$12,919	$430,234
Frank B. Silvestro	2012	$346,528	---	-0-	-0-	-0-	-0-	$10,132	$356,660
Executive Vice President and Director	2011	$336,725	$111,000	-0-	-0-	-0-	-0-	$12,581	$460,306
	2010	$327,787	$60,000	-0-	-0-	-0-	-0-	$12,601	$400,388

Gerald A. Strobel	2012	$346,528	---	-0-	-0-	-0-	-0-	$10,396	$356,924
Executive Vice President of Technical Services	2011	$336,725	$111,000	-0-	-0-	-0-	-0-	$12,845	$460,570
and Director	2010	$327,787	$60,000	-0-	-0-	-0-	-0-	$12,919	$400,706

(1) Amounts earned for bonus compensation determined by the Board of Directors.

(2) Represents group term life insurance premiums, contributions made by the Company to its Defined Contribution Plan accruals on behalf of each of the Named Executives.

(3) As of July 31, 2012, there were no outstanding shares of the Company's Class A Common Stock which was restricted stock issued pursuant to the Company's Stock Award Plan issued to Kevin S. Neumaier.

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Director Compensation

The following table shows the cash amounts earned by each non-employee director for his services in fiscal year 2012.

Name	Board Member Fees	Board Meeting Fees	Other (1)	Total Amount Paid
Michael C. Gross	$35,545	$-0-	$-0-	$35,545
Gerard A. Gallagher, Jr.	$35,545	$-0-	$34,755	$70,300
Ross M. Cellino	$35,545	$-0-	$-0-	$35,545
Timothy Butler	$35,545	$-0-	$-0-	$35,545

(1) Other is the value paid under a consulting fee arrangement.

During fiscal year 2012, each non-employee director was compensated with a director fee in an annual rate of $35,545. The Directors fees were paid quarterly. Other than the directors fee the directors received no other compensation from the Company as director or as serving as members or the chairman of any committee of the Board of Directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters

The following table sets forth, as of September 30, 2012, the number of outstanding shares of Class A Common Stock and Class B Common Stock of the Company beneficially owned by each person known by the Company to be the beneficial owner of more than 5 percent of the then outstanding shares of Common Stock:

	Class A Common Stock		Class B Common Stock	
Name and Address (1)	Nature and Amount of Beneficial Ownership (2) (3)	Percent of Class as Adjusted (3)	Nature and Amount of Beneficial Ownership (2) (3)	Percent Of Class
Gerhard J. Neumaier*	413,458	13.9%	375,518	22.8%
Frank B. Silvestro*	292,052	10.1%	292,052	17.8%
Ronald L. Frank*	201,921	7.2%	187,234	11.4%
Gerald A. Strobel*	219,604	7.8%	219,604	13.4%
Kevin S. Neumaier*	126,632	4.7%	114,878	7.0%
Kirsten Shelly	115,560	4.3%	115,558	7.0%
Wedbush, Inc. (4)	210,631	8.1%	---	---
Franklin Resources, Inc. (5)	144,000	5.5%	---	---
Dimensional Fund Advisors LP (6)	137,889	5.3%	---	---

*See Footnotes in next table.

1) The address for Gerhard J. Neumaier, Frank B. Silvestro, Ronald L. Frank, Gerald A. Strobel, Kevin S. Neumaier and Kirsten Shelly is c/o Ecology and Environment, Inc., 368 Pleasant View Drive, Lancaster, New York 14086, unless otherwise indicated. The address for Wedbush, Inc. is 1000 Wiltshire Blvd., Los Angeles, CA 90017-2459 and the address for Edward W. Wedbush and Wedbush Morgan Securities is P.O. Box 30014, Los Angeles, CA 90030-0014. The address for Franklin Resources, Inc. is One Franklin Parkway, San Mateo, CA 94403-1906. The address for Dimensional Fund Advisors LP is Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746.

2) Each named individual or corporation is deemed to be the beneficial owners of securities that may be acquired within 60 days through the exercise of exchange or conversion rights. The shares of Class A Common Stock issuable upon conversion by any such shareholder are not included in calculating the number of shares or percentage of Class A Common Stock beneficially owned by any other shareholder.

3) There are 2,600,144 shares of Class A Common Stock issued and outstanding and 1,643,773 shares of Class B Common Stock issued and outstanding as of September 30, 2012. The figures in the "as adjusted" columns are based upon these totals and except as set forth in the preceding sentence, upon the assumptions described in footnote 2 above.

4) Includes shares owned by subsidiaries and affiliates of Wedbush, Inc. based upon a Schedule 13-G filed on February 15, 2012.

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5) Includes shares owned by subsidiaries and affiliates of Franklin Resources, Inc. based upon a Schedule 13-G filed on February 7, 2012.

6) Includes shares owned by subsidiaries and affiliates of Dimensional Fund Advisors LP based upon a Schedule 13-G filed on February 14, 2012.

Security Ownership of Management

The following table sets forth certain information regarding the beneficial ownership of the Company's Class A Common Stock and Class B Common Stock as of September 30, 2012, by (i) each Director of the Company and (ii) all Directors and officers of the Company as a group.

	Class A Common Stock		Class B Common Stock	
Name (1)	Nature and Amount of Beneficial Ownership (2) (3)	Percent of Class as Adjusted (4)	Nature and Amount of Beneficial Ownership (2) (3)	Percent of Class
Gerhard J. Neumaier (5) (10)	413,458	13.9%	375,518	22.8%
Frank B. Silvestro (10)	292,052	10.1%	292,052	17.8%
Ronald L. Frank (6) (10)	201,921	7.2%	187,234	11.4%
Gerald A. Strobel (7) (10)	219,604	7.8%	219,604	13.4%
Gerard A. Gallagher, Jr.	61,606	2.3%	61,265	3.7%
Ross M. Cellino (8)	14,892	*	1,102	*
Michael C. Gross (9)	6,149	*	5,949	*
Timothy Butler	1,680	*	---	---
Directors and Officers Group (11 individuals)	1,367,125	35.3%	1,265,925	77.0%

* Less than 0.1%

1) The address of each of the above shareholders is c/o Ecology and Environment, Inc., 368 Pleasant View Drive, Lancaster, New York 14086.

2) Pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, beneficial ownership of a security consists of sole or shared voting power (including the power to vote or direct the vote) or sole or shared investment power (including the power to dispose or direct the disposition) with respect to a security whether through any contract, arrangement, understanding, relationship or otherwise. Unless otherwise indicated, the shareholders identified in this table have sole voting and investment power of the shares beneficially owned by them.

3) Each named person and all Directors and officers as a group are deemed to be the beneficial owners of securities that may be acquired within 60 days through the exercise of exchange or conversion rights. The shares of Class A Common Stock issuable upon conversion by any such shareholder are not included in calculating the number of

shares or percentage of Class A Common Stock beneficially owned by any other shareholder.

4) There are 2,600,144 shares of Class A Common Stock issued and outstanding and 1,643,773 shares of Class B Common Stock issued and outstanding as of September 30, 2012. The figure in the "as adjusted" columns are based upon these totals and except as set forth in the preceding sentence, upon the assumptions described in footnotes 2 and 3 above.

5) Includes 551 shares of Class A Common Stock owned by Mr. Gerhard J. Neumaier's spouse, as to which he disclaims beneficial ownership. Includes 20,361 shares of Class A Common Stock owned by Mr. Gerhard J. Neumaier's Individual Retirement Account. Does not include any shares of Class A Common Stock or Class B Common Stock held by Mr. Gerhard J. Neumaier's adult children. Includes 2 shares of Class A Common Stock owned by a Partnership in which Mr. Gerhard J. Neumaier is a general partner.

6) Includes 2,640 shares of Class A Common Stock owned by Mr. Frank's individual retirement account and 6,465 shares of Class A Common Stock owned by Mr. Frank's 401(k) plan account.

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7) Includes 704 shares of Class B Common Stock held in equal amounts by Mr. Strobel as custodian for two of his children, as to which he disclaims beneficial ownership. Does not include any shares of Class B Common Stock held by a trust which one of his children created for which Mr. Strobel serves as Trustee.

8) Includes 10,915 shares of Class A Common Stock owned by Mr. Cellino's spouse, as to which shares he disclaims beneficial ownership; also includes 2,760 shares of Class A Common Stock owned by Mr. Cellino's Individual Retirement Account. Includes 5 shares of Class A Common Stock owned by a limited partnership in which Mr. Cellino is a general partner.

9) Mr. Gross is one of three co-trustees of an inter vivos trust established by his parents for their benefit that owns these shares of Class B Common Stock and is a one-third contingent remainder beneficiary of the trust's assets which include a total of 17,848 of such shares of which he disclaims beneficial interest in 11,899 of those shares.

10) Subject to the terms of the Restrictive Agreement. See "Security Ownership of Certain Beneficial Owners-Restrictive Agreement."

Restrictive Agreement

Messrs. Gerhard J. Neumaier, Silvestro, Frank, and Strobel entered into a Stockholders' Agreement dated May 12, 1970, as amended January 24, 2011, which governs the sale of certain shares of common stock owned by them and the children of those individuals. The Agreement provides that prior to accepting a bona fide offer to purchase the certain covered 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.

ItemCertain Relationships and Related Transactions
13.

Director Gerard A. Gallagher, Jr.'s son Gerard A. Gallagher, III, serves as a Senior Vice President with the company and received aggregate compensation of $175,179 for his services during fiscal year 2012. The company believes that compensation for him is commensurate with his peers and his relationships during 2012 were reasonable and in the best interest of the Company.

ItemPrincipal Accounting Fees and Services
14.

During the fiscal years ended July 31, 2012 and 2011, Schneider Downs & Co., Inc. (SD) provided audit and audit related services to the Company. The Audit Committee meets with the Company's independent registered accounting firm to approve the annual scope of accounting services to be performed, including all audit, audit-related, and non-audit services, and the related fee estimates. The Audit Committee also meets with our independent registered accounting firm, on a quarterly basis, following completion of their quarterly reviews and annual audit before our earnings announcements, to review the results of their work. As appropriate, management and our independent registered accounting firm update the Audit Committee with material changes to any service engagement and related fee estimates as compared to amounts previously approved. Under its charter, the Audit Committee has the authority and responsibility to review and approve, in advance, any audit and proposed permissible non-audit services to be provided to the Company by its independent registered public accounting firm. Set forth below are the aggregate fees billed for these services for the last two fiscal years.

	FY 2012	FY 2011
Audit Fees	$ 338,240	$ 279,642
Audit Related Services	42,264	42,050
Grand Total	$ 380,504	$ 321,692

Audit Fees: The aggregate fees accrued for professional services rendered for the audit of the Company's financial statements for the fiscal years ended July 31, 2012 and 2011 and for the reviews of the financial statements included in the Company's quarterly reports on Form 10-Q for the fiscal years ended July 31, 2012 and 2011 were $338,240 and $279,642, respectively. Also included in this number are expenses incurred related to accounting consultation services.

Audit Related Fees: The aggregate fees for the fiscal years ended July 31, 2012 and 2011 billed by SD relate to services rendered to the Company for 401(k), pension plan audits, and indirect rate audits.

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PART IV

Item 15. Exhibits, Financial Statements, Schedules

All other schedules are omitted because they are not applicable, or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation (1)
3.2	Certificate of Amendment of Certificate of Incorporation filed on March 23, 1970 (1)
3.3	Certificate of Amendment of Certificate of Incorporation filed on January 19, 1982 (1)
3.4	Certificate of Amendment of Certificate of Incorporation filed on January 29, 1987 (1)
3.5	Certificate of Amendment of Certificate of Incorporation filed on February 10, 1987 (1)
3.6	Restated By-Laws adopted on July 30, 1986 by Board of Directors (1)

3.7	Certificate of Change under Section 805-A of the Business Corporation Law filed August 18, 1988 (2)
4.1	Specimen Class A Common Stock Certificate (1)
4.2	Specimen Class B Common Stock Certificates (1)
10.1	Stockholders' Agreement among Gerhard J. Neumaier, Ronald L. Frank, Frank B. Silvestro and Gerald A. Strobel dated May 12, 1970 (1)
10.4	Ecology and Environment, Inc. Defined Contribution Plan Agreement dated July 25, 1980 as amended on April 28, 1981 and July 21, 1983 and restated effective August 1, 1984 (1)
10.5	Summary of Ecology and Environment Discretionary Performance Plan (3)

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10.6	1998 Ecology and Environment, Inc. Stock Award Plan and Amendments (3)
10.7	2003 Ecology and Environment, Inc. Stock Award Plan (4)
10.8	2007 Ecology and Environment, Inc. Stock Award Plan (5)
10.9	Amendment No. 1 dated January 24, 2011 to the Stockholders' Agreement among Gerhard J. Neumaier, Ronald L. Frank, Frank B. Silvestro and Gerald A. Strobel dated May 12, 1970 (6)
14.1	Code of Ethics (4)
21.5	Schedule of Subsidiaries as of July 31, 2011 (7)
23.1	Consent of Independent Registered Public Accounting Firm - Schneider Downs & Co., Inc. (7)
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (7)
32.1	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (7)

Footnotes

(1)	Filed as exhibits to the Company's Registration Statement on Form S-1, as amended by Amendment Nos. 1 and 2, (Registration No. 33-11543), and incorporated herein by reference.
(2)	Filed as exhibits to the Company's Form 10-K for Fiscal Year Ending July 31, 2002, and incorporated herein by reference.
(3)	Filed as exhibits to the Company's 10-K for the Fiscal Year Ended July 31, 2003, and incorporated herein by reference.
(4)	Filed as exhibits to the Company's 10-K for the Fiscal Year Ending July 31, 2004, and incorporated herein by reference.
(5)	Filed as exhibits to the Company's 10-K for the Fiscal Year Ending July 31, 2010, and incorporated herein by reference.
(6)	Filed as exhibits to the Company's 10-K for the Fiscal Year Ending July 31, 2011, and incorporated herein by reference.
(7)	Filed herewith.

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Pursuant to the requirements of Section 13 or 15(d) 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: November 13, 2012

/s/ Kevin S. Neumaier
Kevin S. Neumaier, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Kevin S. Neumaier Kevin S. Neumaier	President and Chief Executive Officer	November 13, 2012
/s/ Gerhard J. Neumaier Gerhard J. Neumaier	Chairman of the Board and Director	November 13, 2012
/s/ Frank B. Silvestro Frank B. Silvestro	Executive Vice President and Director	November 13, 2012
/s/ Gerald A. Strobel Gerald A. Strobel	Executive Vice President of Technical Services and Director	November 13, 2012
/s/ Ronald L. Frank Ronald L. Frank	Executive Vice President, Secretary, and Director	November 13, 2012
/s/ H. John Mye III H. John Mye III	Vice President, Treasurer and Chief Financial and Accounting Officer	November 13, 2012
/s/ Gerard A. Gallagher, Jr. Gerard A. Gallagher, Jr.	Director	November 13, 2012
/s/ Ross M. Cellino Ross M. Cellino	Director	November 13, 2012
/s/ Timothy Butler Timothy Butler	Director	November 13, 2012
/s/ Michael C. Gross Michael C. Gross	Director	November 13, 2012

Ecology and Environment, Inc.
Form 10-K
Fiscal Year Ending July 31, 2012