

## Ecology and Environment Inc. (EEI)

Price:	\$10.37	Net Tang. Bk Value Incl. Cash, Excl.	\$48,950,000.00	Net Tang. Book Yr. 5 (Inc. Cash):	\$56,436,700.00
Market Cap:	\$44,072,500	Goodwill (NTBVIC):		Avg. Year Op. Cash:	\$3,657,340.00
Cash:	\$13,430,000	NTBVIC/Market Downside Recovery:	111.07%	Year 5 Disposition FCF Multiple:	3.0
Debt:	\$6,820,000	Op. Cash Flow:	\$3,657,340	Year 5 Disposition Price:	\$67,408,720.00
Net Cash:	\$6,610,000	Implied Years to Fill Gap:	-1.33		
Enterprise Value:	\$37,462,500	Today's Equity if 5x Op. CF:	\$59,922,020		
		Net Tang. Book+ Gain Disposition:			\$67,408,720.00
Shares Outstanding:	4,250,000	IRR:			8.87%
				Price:	\$15.86
				Target Market Cap:	\$67,408,720
				Target Enterprise Value:	\$60,798,720

\* Our future intrinsic value measures the total return, which includes both capital appreciation and dividend income.

A company with 1,175 professionals that provides consulting services for environmental solutions. Generates \$150MM in annual revenue and has completed 50,000 projects since 1970. Government, green energy related business. Fairly dependent on the federal budget allocated for these projects so this is not a good sign. Currently has 2 lawsuits, with a max payout of \$500K.

2/3 of revenue from US; 1/3 from foreign subsidiaries.

Salaries of execs are relatively low - 200K to 300K, which is a good sign. For Common A shares (2.6MM), CEO/Chairman father son combo own 20%. Execs combined own about 50%. Wedbush, Franklin Resource, DFA own more than 5% each. Common B shares (1.7MM) is 70% owned by execs. Dividends are paid to both A and B shares on a equal per share basis.

The revenue growth is on a project basis, and the Co. reported \$81MM in backlog, 10% down from 2011.

4.51% dividend yield, 111% downside protection, \$13MM in cash, \$6MM in debt, net \$7MM cash, or 16% of market cap.

From a face value, book value basis, this company is very attractive. The 5 year Price Target implies a 9% IRR, so there is considerable support for the stock appreciation.

This is a micro cap stock and a company at such a discounted valuation is trading at low multiples because of cash flow. The margins are slim and we are concerned of cash burn. Op cash flow is expected to be about \$3MM with capex around \$2MM. Dividend is about \$2MM so they may have to dip into the cash balance to payout the dividend. The management is personally incentivized to maintain the dividend, since they own 60% of the outstanding shares.

This is a buy for us. Great upside potential, sturdy downside protection, with a backlog of business. Assets are mainly Accounts receivable and clients are government entities. Plus, if it was factored at 30% haircut, it would still bring the Tangible book down to 0.86x P/tangible book.

100,000,000

80,000,000

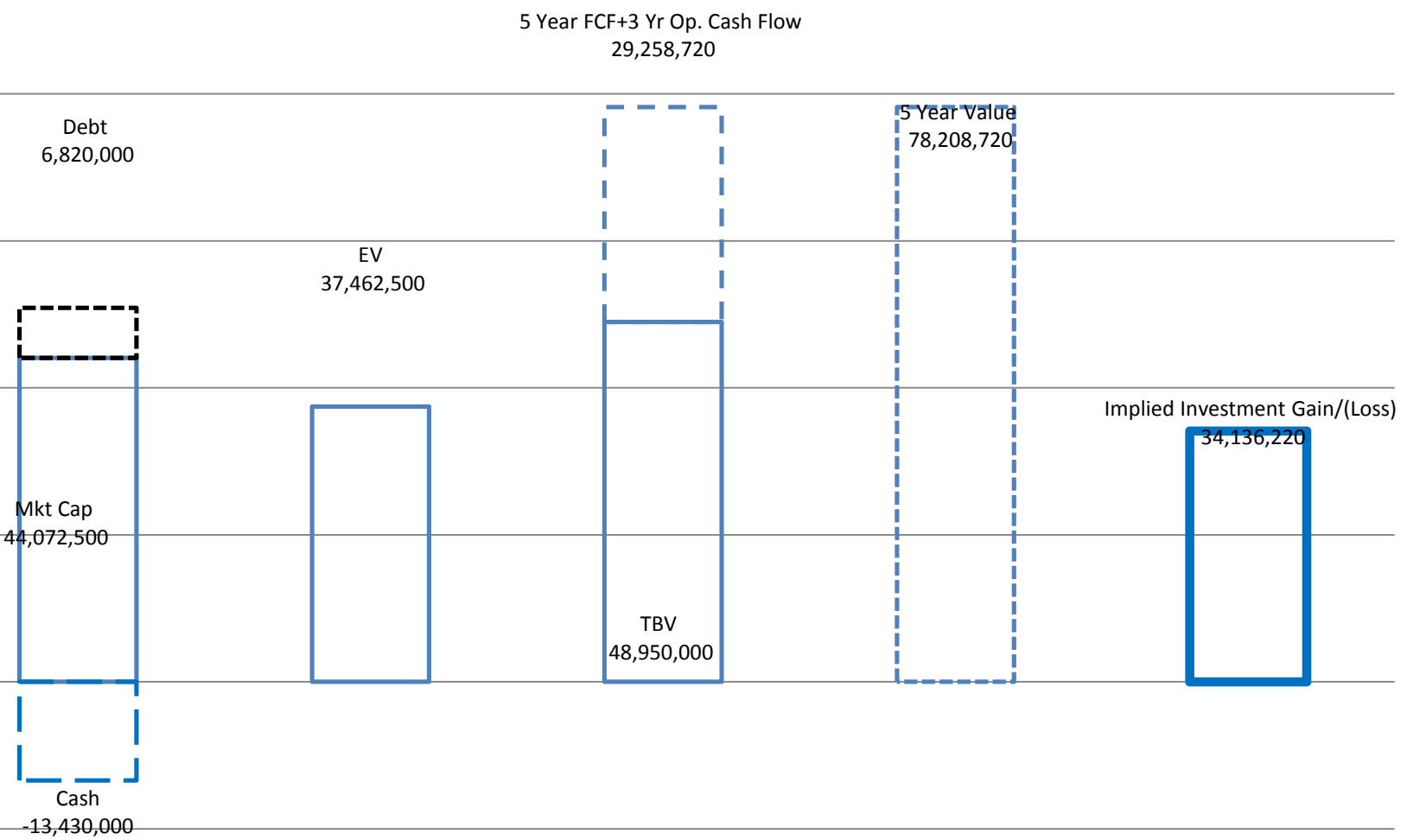
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Ecology and Environment, Inc., (EEI) was incorporated in February 1970. The Company is a broad-based environmental consulting firm whose underlying philosophy is to provide professional services worldwide so that sustainable economic and human development might proceed with minimum negative impact on the environment. The Company has rendered consulting services to commercial and government clients in different of service sectors, such as the Energy, Electric Transmission, Pipelines, Offshore Energy, Wind Energy, Solar Energy, Geothermal Energy, Nuclear Energy and Carbon Capture and Sequestration. The Company conceives and designs environmental restoration projects that restore affected habitat through the efficient and innovative integration of biological and engineering solutions. EEI seeks to take actions against greenhouse gases (GHGs), global warming, and climate change, both within its internal operations and throughout its line of associated services. The Company's approach to addressing these issues applies to different 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. 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 variety of clients in 113 countries, providing environmental solutions in nearly every ecosystem on the planet. EEI 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. EEI has conducted hazardous waste site evaluations throughout the United States, providing site investigation, engineering design, and operation and maintenance for a range of industrial and governmental clients.

<b>Company Name:</b>	<b>Ecology and Environment Inc.</b>	Market Capitalization:	\$44,072,500.00	<b>Income Statement</b>	
Ticker Symbol:	EEI	Total Debt:	\$6,820,000.00	Revenue:	\$142,110,000.00 100.0%
Last Price:	\$10.37	Total Cash:	\$13,430,000.00	Cost of Goods Sold:	\$74,650,000.00 52.5%
Net Cash/Share:	\$1.56	Net Cash/(Debt):	\$6,610,000.00	Gross Profit:	\$67,460,000.00 47.5%
Net Cash to Last Price:	15.00%	Enterprise Value:	\$37,462,500.00	EBITDA:	\$7,050,000.00 5.0%
Shares Outstanding:	4,250,000	Current EV/Share:	\$8.81	Net Income:	#VALUE! #VALUE!
Industry:	Waste Management	EBITDA:	\$9,100,000.00	<b>Balance Sheet</b>	
Sector:	Industrials	EV/EBITDA Multiple:	4.12	Cash:	\$8,260,000.00
Institutional Ownership:	6.32%	EV/EBITDA Multiple Average Year 1-5:	7.77	Short Term Investment:	\$5,170,000.00
Mutual Fund Ownership:	7.29%	EV/FCF Multiple (excluding acquisition):	-7.79	A/R:	\$51,380,000.00
Insider Ownership:	30.39%	EV/FCF Multiple Average Year 1-5 (excluding acquisition):	22.60	PP&E:	\$12,000,000.00
Float:	47.00%			Assets:	\$87,800,000.00
<b>Upper Range</b>					
<b>DCF: EV/EBITDA Terminal Value</b>					
<b>Technicals</b>		Implied TV from 3 X EV/EBITDA Multiple	\$13,986,900.00	A/P:	\$8,000,000.00
52 week low:	\$10.05	Enterprise Value	\$13,986,900.00	Deferred Tax:	\$890,000.00
Today from 52 week low:	3.18%	Cash at Year 5:	\$21,716,700.00	Other Liabilities:	\$23,140,000.00
52 week high:	\$14.42	Debt at Year 5:	\$6,820,000.00	Short term Debt:	\$6,820,000.00
Today from 52 week high:	39.05%	Equity Value Year 5:	\$28,883,600.00	Long Term Debt:	\$0.00
<b>Analyst/Consensus</b>		<b>Equity/Share at Year 5:</b>	<b>\$6.80</b>	Liabilities:	\$38,850,000.00
Analyst Sales Growth FY1:	N/A	Annualized Return:	-8.10%	Retained Earnings:	\$30,200,000.00
Analyst Sales Growth FY2:	N/A	<b>Lower Range</b>			
SN Valuation Estimate FY1:	0.00%	<b>DCF: Net Tangible Asset excluding Cash/Debt Terminal Value</b>			
SN Valuation Estimate FY2:	0.00%	Year 5 Net Tangible Assets excluding cash and debt	\$46,050,000.00	Paid-In Capital:	\$20,040,000.00
<b>Analyst Earnings Estimate FY1:</b>		Enterprise Value	\$46,050,000.00	Treasury Stock:	-\$2,000,000.00
<b>Analyst Earnings Estimate FY2:</b>		Cash at Year 5:	\$21,716,700.00	Stockholder's Equity:	\$48,950,000.00
<b>SN Valuation Earnings Est. FY1:</b>		Debt at Year 5:	\$6,820,000.00	<b>Cash Flow</b>	
<b>SN Valuation Earnings Est. FY2:</b>		Equity Value Year 5:	\$60,946,700.00	Net Income:	3,040,000.00
<b>Multiples</b>		<b>Equity/Share at Year 5:</b>	<b>\$14.34</b>	Depreciation/Amortization:	2,160,000.00
<b>Market Value to Book:</b>	<b>0.90</b>	Annualized Return:	6.70%	Change in Working capital:	-8,840,000.00
EV to Book:	0.77	<b>EVA</b>			
Market Value to Tangible Net Assets:	1.33	EVA today:	\$48,468,894.32	Cash from Operating Activities:	-360,000.00
P/E Ratio:	#VALUE!	EVA in 5 Years:	\$46,182,381.71	Capital Expenditures:	-4,440,000.00
Trailing P/E Ratio:	58.84	EVA/Share:	\$10.87	Cash from Investing Activities:	-5,530,000.00
Forward P/E Ratio:	N/A	Cash at Year 5:	\$21,716,700.00	Total Cash Dividends Paid:	-2,050,000.00
Beta:	0.47	Debt at Year 5:	\$6,820,000.00	Issuance (Retirement) of Stock:	-360,000.00
Dividend:	0.48	Equity Value Year 5:	\$61,079,081.71	Issuance (Retirement) of Debt:	11,480,000.00
<b>Dividend Yield:</b>	<b>4.51%</b>	<b>Equity/Share at Year 5:</b>	<b>\$14.37</b>	Cash from Financing Activities:	7,990,000.00
Dividend Date:	Dec 19, 2012	Annualized return:	-0.96%	<b>Profitability Margins</b>	
Ex-Dividend Date:	Dec 3, 2012	<b>Current Net Tangible Asset</b>			
<b>Competitors</b>		<b>Net Tangible Asset/Share:</b>	<b>\$11.52</b>	Debt to Equity:	13.93%
Average EV to EBITDA:	N/A	<b>Net Tangible Asset/Share in Year 5:</b>	<b>\$13.28</b>	Return on Assets:	0.88%
Company EV to EBITDA:	4.12	Annualized return:	2.89%	Return on Capital:	1.38%
Average EV to EBIT:	N/A	Current Equity Price:	\$10.37	Return on Equity:	1.57%
Company EV to EBITA:	7.84	Selling at Discount?	Discount		
		Appreciation Potential:	11.07%		
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SN VALUATION

LBO Pro Forma Income Statement

Name:

Ecology and Environment Inc.

Ticker:

EEl

	Historical				Forecasted				
	12 months ending 2009-07-31	12 months ending 2010-07-31	12 months ending 2011-07-31	12 months ending 2012-07-31	2013	2014	2015	2016	2017
Revenue	146.08	144.10	169.17	155.41	155.41	155.41	155.41	155.41	155.41
COGS	87.60	79.92	97.24	87.95	88.58	88.58	88.58	88.58	88.58
Gross margin	58.48	64.18	71.93	67.46	66.83	66.83	66.83	66.83	66.83
SG&A	47.41	52.60	57.79	60.52	62.16	62.16	62.16	62.16	62.16
R&D	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unusual expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other operating expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation is: Excluded from COGS					2.00	2.00	2.00	2.00	2.00
Operating Income (EBITA)	11.07	11.58	14.14	6.94	2.66	2.66	2.66	2.66	2.66
Interest income/(expense)	0.04	-0.17	0.02	-0.59	-0.36	-0.36	-0.36	-0.36	-0.36
Gain (loss) on sale of asset	0.00	0.81	0.29	0.00	0.00	0.00	0.00	0.00	0.00
Other	-0.04	-0.07	0.06	0.21	0.00	0.00	0.00	0.00	0.00
Income before tax	9.45	10.46	12.76	4.40	2.30	2.30	2.30	2.30	2.30
Tax	2.56	3.90	4.64	1.36	0.81	0.81	0.81	0.81	0.81
Income after tax	6.89	6.56	8.12	3.04	1.50	1.50	1.50	1.50	1.50
Minority Interest	-1.67	-2.30	-1.16	-2.27	0.00	0.00	0.00	0.00	0.00
Equity in affiliates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income	5.22	4.26	6.96	0.77	1.50	1.50	1.50	1.50	1.50
*Figures are in millions (\$)									
EPS (based off today's share count)	\$1.23	\$1.00	\$1.64	\$0.18	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
P/E (historical today's price; forecasted intrinsic price)	8.44	10.35	6.33	57.24	32.04	34.89	37.98	41.35	45.02
Revenue Growth	N/A	-1.36%	17.40%	-8.13%	0.00%	0.00%	0.00%	0.00%	0.00%
Tax Rate	27.09%	37.28%	36.38%	30.91%	35.00%	35.00%	35.00%	35.00%	35.00%
Implied Debt Interest Rate	4.94%	-10.00%	0.93%	-4.57%	NA	NA	NA	NA	NA
Margins									
COGS	59.97%	55.46%	57.48%	56.59%	57.00%	57.00%	57.00%	57.00%	57.00%
Gross margin	40.03%	44.54%	42.52%	43.41%	43.00%	43.00%	43.00%	43.00%	43.00%
SG&A	32.45%	36.50%	34.16%	38.94%	40.00%	40.00%	40.00%	40.00%	40.00%
R&D	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Unusual expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other operating expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation is: Excluded from COGS	0.00%	0.00%	0.00%	0.00%	1.29%	1.29%	1.29%	1.29%	1.29%
Operating Income (EBITA)	7.58%	8.04%	8.36%	4.47%	1.71%	1.71%	1.71%	1.71%	1.71%
Interest income/(expense)	0.03%	-0.12%	0.01%	-0.38%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%
Gain (loss) on sale of asset	0.00%	0.56%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	-0.03%	-0.05%	0.04%	0.14%	0.00%	0.00%	0.00%	0.00%	0.00%
Income before tax	6.47%	7.26%	7.54%	2.83%	1.48%	1.48%	1.48%	1.48%	1.48%
Tax	1.75%	2.71%	2.74%	0.88%	0.52%	0.52%	0.52%	0.52%	0.52%
Income after tax	4.72%	4.55%	4.80%	1.96%	0.96%	0.96%	0.96%	0.96%	0.96%
Minority Interest	-1.14%	-1.60%	-0.69%	-1.46%	0.00%	0.00%	0.00%	0.00%	0.00%
Equity in affiliates	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net income	3.57%	2.96%	4.11%	0.50%	0.96%	0.96%	0.96%	0.96%	0.96%

						Adjustment		Adjusted Proforma	2011	2012	2013	2014	2015
	As of 2009-07-31	As of 2010-07-31	As of 2011-07-31	As of 2012-07-31	As of 2013-04-30	+	-						
Cash	16.57	14.34	6.53	8.27	8.26			8.26	9.92	11.57	13.23	14.89	16.55
Short term investment	1.21	1.31	3.49	3.60	5.17			5.17	5.17	5.17	5.17	5.17	5.17
<b>Cash and Short term</b>	<b>17.78</b>	<b>15.65</b>	<b>10.02</b>	<b>11.87</b>	<b>13.43</b>			<b>13.43</b>	<b>15.09</b>	<b>16.74</b>	<b>18.40</b>	<b>20.06</b>	<b>21.72</b>
Accounts Receivable	41.69	47.10	63.75	61.57	51.38			51.38	51.38	51.38	51.38	51.38	51.38
Other receivables	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Receivables</b>	<b>41.69</b>	<b>47.10</b>	<b>63.75</b>	<b>61.57</b>	<b>51.38</b>			<b>51.38</b>	<b>51.38</b>	<b>51.38</b>	<b>51.38</b>	<b>51.38</b>	<b>51.38</b>
Total Inventory	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other Current Assets	6.51	5.58	7.20	6.60	8.30			8.30	8.30	8.30	8.30	8.30	8.30
<b>Current Assets</b>	<b>65.98</b>	<b>68.33</b>	<b>80.97</b>	<b>80.04</b>	<b>73.11</b>	<b>0.00</b>	<b>0.00</b>	<b>73.11</b>	<b>74.77</b>	<b>76.42</b>	<b>78.08</b>	<b>79.74</b>	<b>81.40</b>
PP&E, Gross	27.56	29.71	32.93	35.70	36.00			36.00	38.00	40.00	42.00	44.00	46.00
Change in Depreciation	1.62	1.68	1.76	2.16	2.16			2.16	2.16	2.16	2.16	2.16	2.16
Accumulated Depreciation	19.30	21.04	22.97	24.22	24.00			24.00	26.16	28.32	30.48	32.64	34.80
<b>PP&amp;E, Net</b>	<b>8.26</b>	<b>8.67</b>	<b>9.96</b>	<b>11.48</b>	<b>12.00</b>			<b>12.00</b>	<b>11.84</b>	<b>11.68</b>	<b>11.52</b>	<b>11.36</b>	<b>11.20</b>
Goodwill	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00	0.00	0.00	0.00
Intangibles	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Long term investments	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Other long term assets	2.76	2.96	3.33	2.85	2.69			2.69	2.69	2.69	2.69	2.69	2.69
<b>Long Term Assets</b>	<b>11.02</b>	<b>11.63</b>	<b>13.29</b>	<b>14.33</b>	<b>14.69</b>			<b>14.69</b>	<b>14.53</b>	<b>14.37</b>	<b>14.21</b>	<b>14.05</b>	<b>13.89</b>
<b>Total Assets</b>	<b>77.00</b>	<b>79.96</b>	<b>94.26</b>	<b>94.37</b>	<b>87.80</b>	<b>0.00</b>	<b>0.00</b>	<b>87.80</b>	<b>89.30</b>	<b>90.79</b>	<b>92.29</b>	<b>93.79</b>	<b>95.29</b>
Accounts Payable	13.87	10.86	13.10	11.49	8.00			8.00	8.00	8.00	8.00	8.00	8.00
Accrued Expense	16.27	12.38	15.29	11.46	13.00			13.00	13.00	13.00	13.00	13.00	13.00
Other current Liabilities	0.10	5.21	8.92	8.28	6.92			6.92	6.92	6.92	6.92	6.92	6.92
<b>Total Current Liabilities</b>	<b>30.24</b>	<b>28.45</b>	<b>37.31</b>	<b>31.23</b>	<b>27.92</b>	<b>0.00</b>	<b>0.00</b>	<b>27.92</b>	<b>27.92</b>	<b>27.92</b>	<b>27.92</b>	<b>27.92</b>	<b>27.92</b>
Notes Payables/Short Term Debt	0.00	0.00	0.00	12.31	6.52			6.52	6.52	6.52	6.52	6.52	6.52
Current port. Of LT Debt/Capital Leases	0.41	0.93	1.69	0.49	0.30			0.30	0.30	0.30	0.30	0.30	0.30
Long term Debt	0.40	0.77	0.45	0.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Lease Obligations	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Interest Earning Debt</b>	<b>0.81</b>	<b>1.70</b>	<b>2.14</b>	<b>12.90</b>	<b>6.82</b>	<b>0.00</b>	<b>0.00</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>
Deferred Income tax	0.15	0.29	0.53	0.42	0.89			0.89	0.89	0.89	0.89	0.89	0.89
Minority Interest	5.27	4.37	3.92	4.61	3.14			3.14	3.14	3.14	3.14	3.14	3.14
Other liabilities	0.28	0.29	0.34	0.19	0.08			0.08	0.08	0.08	0.08	0.08	0.08
<b>Total Liabilities</b>	<b>36.75</b>	<b>35.10</b>	<b>44.24</b>	<b>49.35</b>	<b>38.85</b>	<b>0.00</b>	<b>0.00</b>	<b>38.85</b>	<b>38.85</b>	<b>38.85</b>	<b>38.85</b>	<b>38.85</b>	<b>38.85</b>
Redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Non-redeemable Preferred Stock	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Common Stock	0.04	0.04	0.04	0.04	0.04		0.00	0.04	0.04	0.04	0.04	0.04	0.04
Additional Paid-in capital	20.09	20.06	19.98	19.75	20.00	0.00	0.00	20.00	20.00	20.00	20.00	20.00	20.00
Dividends Paid	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Retained Earnings	23.29	25.80	30.80	29.53	30.20		0.00	30.20	31.70	33.19	34.69	36.19	37.69
Treasury Stock	-2.82	-1.86	-2.32	-1.90	-2.00		0.00	-2.00	-2.00	-2.00	-2.00	-2.00	-2.00
Other Equity	0.44	0.82	1.53	0.71	0.71		0.00	0.71	0.71	0.71	0.71	0.71	0.71
<b>Total Equity</b>	<b>41.04</b>	<b>44.86</b>	<b>50.03</b>	<b>48.13</b>	<b>48.95</b>	<b>0.00</b>	<b>0.00</b>	<b>48.95</b>	<b>50.45</b>	<b>51.94</b>	<b>53.44</b>	<b>54.94</b>	<b>56.44</b>
<b>Liability + Equity</b>	<b>77.79</b>	<b>79.96</b>	<b>94.27</b>	<b>97.48</b>	<b>87.80</b>	<b>0.00</b>	<b>0.00</b>	<b>87.80</b>	<b>89.30</b>	<b>90.79</b>	<b>92.29</b>	<b>93.79</b>	<b>95.29</b>
<b>Variance</b>	-0.79	0.00	-0.01	-3.11	0.00			0.00	0.00	0.00	0.00	0.00	0.00
<b>Debt/Equity</b>	0.02	0.04	0.04	0.27	0.14			0.14	0.14	0.13	0.13	0.12	0.12
Inventory Turnover	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Inventory Turnover Days	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!			#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Days Inventory Outstanding	0.00	0.00	0.00	0.00	0.00			0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable Turnover	3.50	3.06	2.65	2.52	3.02			3.02	3.02	3.02	3.02	3.02	3.02
Accounts Receivable Turnover Days	104.17	119.30	137.55	144.60	120.67			120.67	120.67	120.67	120.67	120.67	120.67
Days Payable Outstanding	57.79	49.60	49.17	47.68	32.96			32.96	32.96	32.96	32.96	32.96	32.96
Days Sales Outstanding	104.17	119.30	137.55	144.60	120.67			120.67	120.67	120.67	120.67	120.67	120.67
Cash Conversion Cycle	46.38	69.70	88.37	96.92	87.71			111.40	87.71	87.71	87.71	87.71	87.71
Net tangible assets/share	\$9.66	\$10.56	\$11.77	\$11.32	\$11.52				\$11.87	\$12.22	\$12.57	\$12.93	\$13.28

	12 months ending 2009-07-31	12 months ending 2010-07-31	12 months ending 2011-07-31	12 months ending 2012-07-31	2011	2012	2013	2014	2015
Net Income	6.89	6.56	8.12	3.04	1.50	1.50	1.50	1.50	1.50
Depreciation	1.62	1.68	1.76	2.16	2.16	2.16	2.16	2.16	2.16
<b>Net Income + Depreciation</b>	<b>8.51</b>	<b>8.24</b>	<b>9.88</b>	<b>5.20</b>	<b>3.66</b>	<b>3.66</b>	<b>3.66</b>	<b>3.66</b>	<b>3.66</b>
Amortization	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Taxes	1.74	0.47	-0.91	0.11	0.00	0.00	0.00	0.00	0.00
Non Cash Items	0.36	0.42	3.64	3.16	0.00	0.00	0.00	0.00	0.00
Change in Working capital	-0.93	-6.70	-11.61	-8.84	0.00	0.00	0.00	0.00	0.00
Accounts Receivable	0.00	-5.41	-16.65	2.18	0.00	0.00	0.00	0.00	0.00
Other Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	0.00	-3.01	2.24	-1.61	0.00	0.00	0.00	0.00	0.00
<b>Cash from Operating Activities</b>	<b>9.68</b>	<b>2.43</b>	<b>1.00</b>	<b>-0.37</b>	<b>3.66</b>	<b>3.66</b>	<b>3.66</b>	<b>3.66</b>	<b>3.66</b>
Capital Expenditures Expenditures	-1.87	-1.99	-2.48	-4.44	-2.00	-2.00	-2.00	-2.00	-2.00
Long term investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Investing Activities	-0.07	-0.30	-0.35	-1.09	0.00	0.00	0.00	0.00	0.00
<b>Cash from Investing Activities</b>	<b>-1.94</b>	<b>-2.29</b>	<b>-2.83</b>	<b>-5.53</b>	<b>-2.00</b>	<b>-2.00</b>	<b>-2.00</b>	<b>-2.00</b>	<b>-2.00</b>
Financing Cash flow items	-0.56	-0.62	-0.76	-1.08	0.00	0.00	0.00	0.00	0.00
Total Cash Dividends Paid	-1.55	-1.68	-1.81	-2.05	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Stock	-1.83	0.00	-1.34	-0.36	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Current Portion Debt	-	-	-	-	0.00	0.00	0.00	0.00	0.00
Issuance (Retirement) of Long Term Debt	-1.31	-0.31	-0.15	11.48	0.00	0.00	0.00	0.00	0.00
<b>Cash from Financing Activities</b>	<b>-5.25</b>	<b>-2.61</b>	<b>-4.06</b>	<b>7.99</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Foreign Exchange effect	-0.12	0.05	0.05	-0.16	0.00	0.00	0.00	0.00	0.00
Beginning Cash Balance	14.19	16.57	14.35	6.53	8.26	9.92	11.57	13.23	14.89
<b>Net Change in Cash</b>	<b>2.38</b>	<b>-2.42</b>	<b>-5.82</b>	<b>1.94</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>
Ending Cash Balance	16.57	14.35	8.53	8.47	9.92	11.57	13.23	14.89	16.55
Capex to Revenue	1.28%	1.38%	1.47%	2.86%	1.29%	1.29%	1.29%	1.29%	1.29%
Depreciation to Sales	1.11%	1.17%	1.04%	1.39%	1.39%	1.39%	1.39%	1.39%	1.39%
Amortization to Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
A/R to Sales	28.54%	32.69%	37.68%	39.62%	39.62%	39.62%	39.62%	39.62%	39.62%
Distributable FCF/EV Yield	20.66%	0.37%	-4.88%	-15.75%	4.42%	4.42%	4.42%	4.42%	4.42%
Dividend Yield	-3.52%	-3.81%	-4.11%	-4.65%	0.00%	0.00%	0.00%	0.00%	0.00%
FCF (Ops-Investing)	<b>9.36</b>	<b>2.12</b>	<b>0.33</b>	<b>-2.76</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>

# SN VALUATION

# LBO Debt Schedule

Ticker:

EEI

	Proforma	2013	2014	2015	2016	2017
<b>Net Change in Cash</b>	<b>1.94</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>	<b>1.66</b>
Current Portion Debt Repayment						
Long Term Debt Repayment						
<b>Outstanding Debt</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>	<b>6.82</b>
Current Portion Debt Balance	6.82	6.82	6.82	6.82	6.82	6.82
Long Term Debt Balance	0.00	0.00	0.00	0.00	0.00	0.00
Forward Libor Curve		3.00%	3.00%	3.00%	3.00%	3.00%
Spread		4.00%	4.00%	4.00%	4.00%	4.00%
<b>Interest Rate</b>		<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>
<b>Interest Expense</b>		<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>	<b>0.48</b>
Cash Balance		11.87				
Interest @ 1.0%		0.12	0.12	0.12	0.12	0.12
<b>Net Interest Expense/(Income)</b>		<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>
<b>Net Interest Rate</b>		<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>	<b>#DIV/0!</b>
EBITDA		2.66	2.66	2.66	2.66	2.66
<b>EBITDA/Interest Expense Coverage</b>		<b>5.58</b>	<b>5.58</b>	<b>5.58</b>	<b>5.58</b>	<b>5.58</b>

Interest Rate Coverage Table

Debt Rating					
AAA					
AA					
A+					
A					
A-	A-	A-	A-	A-	A-
BBB					
BB+					
BB					
B+					
B					
B-					
CCC					
CC					
C					
D					

\*Source: NYU; Professor Damodaran

## Altman Z Score

Company Name:

Ecology and Environment Inc.

Ticker:

EEI

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017
Working Capital	35.74	39.88	43.66	45.19	46.85	48.50	50.16	51.82	53.48
Total Assets	77.00	79.96	94.26	87.80	89.30	90.79	92.29	93.79	95.29
<b>X1</b>	<b>0.46</b>	<b>0.50</b>	<b>0.46</b>	<b>0.51</b>	<b>0.52</b>	<b>0.53</b>	<b>0.54</b>	<b>0.55</b>	<b>0.56</b>
Retained Earnings	23.29	25.80	30.80	30.20	31.70	33.19	34.69	36.19	37.69
Total Assets	77.00	79.96	94.26	87.80	89.30	90.79	92.29	93.79	95.29
<b>X2</b>	<b>0.30</b>	<b>0.32</b>	<b>0.33</b>	<b>0.34</b>	<b>0.35</b>	<b>0.37</b>	<b>0.38</b>	<b>0.39</b>	<b>0.40</b>
EBITDA	11.07	11.58	14.14	6.94	4.66	4.66	4.66	4.66	4.66
Total Assets	77.00	79.96	94.26	87.80	89.30	90.79	92.29	93.79	95.29
<b>X3</b>	<b>0.14</b>	<b>0.14</b>	<b>0.15</b>	<b>0.08</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>
Market Value of Equity	44.07	44.07	44.07	44.07	47.98	52.24	56.87	61.92	67.41
Total Liabilities	36.75	35.10	44.24	38.85	38.85	38.85	38.85	38.85	38.85
<b>X4</b>	<b>1.20</b>	<b>1.26</b>	<b>1.00</b>	<b>1.13</b>	<b>1.24</b>	<b>1.34</b>	<b>1.46</b>	<b>1.59</b>	<b>1.74</b>
Net Sales	146.08	144.10	169.17	155.41	155.41	155.41	155.41	155.41	155.41
Total Assets	77.00	79.96	94.26	87.80	89.30	90.79	92.29	93.79	95.29
<b>X5</b>	<b>1.90</b>	<b>1.80</b>	<b>1.79</b>	<b>1.77</b>	<b>1.74</b>	<b>1.71</b>	<b>1.68</b>	<b>1.66</b>	<b>1.63</b>
<b>Altman Z Score</b>	<b>4.07</b>	<b>4.08</b>	<b>3.90</b>	<b>3.81</b>	<b>3.78</b>	<b>3.84</b>	<b>3.91</b>	<b>3.98</b>	<b>4.06</b>

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red



Year	Present Value	Holding Period					Terminal Value			Sale Price
	0	1	2	3	4	5	6	7	8	TBV at Year 5 + 3 Years FCF
<b>Tangible Book Value</b>	48.95	50.45	51.94	53.44	54.94	56.44				56.44
Annual Change		1.50	1.50	1.50	1.50	1.50				
<b>Annual FCF</b>	(4.81)	1.66	1.66	1.66	1.66	1.66	1.66	1.66	1.66	4.97
Annual Op. Cash Flow	(0.37)	3.66	3.66	3.66	3.66	3.66	3.66	3.66	3.66	
Annual PP&E Investment	(4.44)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	
<b>Today's Tangible Book Value</b>	48.95	50.36	51.82	53.31	54.85	56.44				61.41
Intrinsic Value IRR	2.89%									
<b>Market Price</b>	44.07	47.10	50.33	53.78	57.47	61.41				61.41
Market Price IRR	6.86%									

Debt	50.00%	22.04
Equity	50.00%	22.04
<b>Total</b>	<b>100.00%</b>	<b>44.07</b>

	Present Value	Holding Period					Terminal Value			Sale Price
	Historic	ProForma	1	2	3	4	5			
Book Equity	48.95	22.04	22.76	23.49	24.22	24.95	25.68			
Goodwill	0	(4.88)	(4.88)	(4.88)	(4.88)	(4.88)	(4.88)			
Debt	0	22.04	22.04	22.04	22.04	22.04	22.04			
Debt Interest Rate		7.00%	7.00%	7.00%	7.00%	7.00%	7.00%			
Additional Interest Expense		1.18	1.18	1.18	1.18	1.18				
<b>Tangible Book Value</b>	48.95	26.91	27.64	28.37	29.10	29.83	30.55			30.55
Annual Change			0.73	0.73	0.73	0.73	0.73			
<b>Annual FCF</b>	(4.81)	0.89	0.89	0.89	0.89	0.89	0.89	0.89	0.89	2.66
Annual Net Income	0.77		0.73	0.73	0.73	0.73	0.73	0.73	0.73	
<b>Annual Op. Cash Flow</b>	(0.37)	2.89	2.89	2.89	2.89	2.89	2.89	2.89	2.89	
Dividend Payments										
<b>Annual PP&amp;E Investment</b>	(4.44)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	(2.00)	
Debt Paydown	0.00									
								0.00	0.00	0.00
<b>Sale Price in Year 5</b>										33.22
<b>Remaining Debt Balance</b>										22.94
<b>Capital Left for Equity Investor</b>										11.18
Dividend Payments										0.00
<b>Total Cash In Flow</b>										11.18
<b>Invested Equity</b>	22.04	19.24	16.80	14.67	12.81	11.18				
IRR	-12.69%									

Value Creation

TBV Growth (equals sum of NI Year 1-5)	3.64
Cash Flow (Year 6-8)	2.66
<b>Total</b>	<b>6.30</b>

Value Dilution

Debt	22.04
Goodwill	-4.88
Additional Interest	5.92
<b>Total</b>	<b>23.08</b>