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ESPEY MFG & ELECTRONICS CORP
Form DEF 14A
October 20, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
☐ Confidential, For Use of the
Commission Only (as permitted by Rule 14a-6(e)(2))
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material Under Rule 14a-12

Espey Mfg. & Electronics Corp.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant
to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is
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4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

ESPEY MFG. & ELECTRONICS CORP.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD NOVEMBER 21, 2008

October 20, 2008

To the Shareholders of
ESPEY MFG. & ELECTRONICS CORP.:

You are cordially invited to attend the Annual Meeting of Shareholders of Espey Mfg. & Electronics Corp., which will be held at the Courtyard Marriot, 11 Excelsior Ave., Saratoga Springs, New York, on November 21, 2008, at 9:00 a.m., Eastern Standard Time, for the following purposes:

1. To elect two Class C Directors to serve for a three year term expiring at the 2011 Annual Meeting or until their respective successors are duly elected and qualify; and
2. To ratify the appointment of Rotenberg & Company, LLP as the Company's independent public accountants for the fiscal year ending June 30, 2009.

No other business may be transacted at the meeting.

The Board of Directors has fixed the close of business on October 8, 2008, as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, said meeting or any adjournment thereof. The books for transfer of the Company's capital stock will not be closed.

Even if you expect to attend the meeting in person, it is urged by the Company that you mark, sign, date and return the enclosed proxy. The proxy may be revoked at any time before it is voted and shareholders who execute proxies may nevertheless attend the meeting and vote their shares in person. Every properly signed proxy will be voted as specified unless previously revoked.

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By Order of the Board of Directors,

Peggy A. Murphy
Corporate Secretary

Please make your specification and sign and date the enclosed proxy and mail it promptly in the accompanying pre-addressed, postage-free envelope.

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ESPEY MFG. & ELECTRONICS CORP.
233 Ballston Avenue
Saratoga Springs, New York 12866

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of Espey Mfg. & Electronics Corp. (the "Company") for use in voting at the Annual Meeting of the Shareholders of the Company to be held at the Courtyard Marriott, 11 Excelsior Ave., Saratoga Springs, New York, on November 21, 2008, at 9:00 a.m., Eastern Standard Time, and at any postponement or adjournment thereof, for the purposes set forth in the attached Notice of Meeting. It is anticipated that the Notice of Annual Meeting of Shareholders, this Proxy Statement and the form of proxy will be mailed on or about October 20, 2008.

VOTING AND REVOCABILITY OF PROXIES

Every properly dated, executed and returned proxy will be voted at the Annual Meeting in accordance with the instructions of the shareholder. If no specific instructions are given, the shares represented by such proxy will be voted (i) For the election of the Class C Directors nominated by the Board of Directors, and (ii) For ratification of the appointment of Rotenberg & Company, LLP as the Company's independent public accountants for the fiscal year ending June 30, 2009. Any shareholder giving a proxy has the power to revoke it at any time prior to the voting thereof by voting in person at the Annual Meeting, by giving written notice to the Secretary prior to the Annual Meeting, or by signing and delivering a new proxy card bearing a later date.

The Company's only class of voting securities is its Common Stock, par value \$.33-1/3 per share (the "Common Stock"). Each share of Common Stock outstanding on the record date will be entitled to one vote on all matters. In accordance with the Company's By-Laws and applicable state law, the election of directors will be determined by a plurality of the votes cast by the holders of shares of Common Stock present and entitled to vote thereon, in person or by proxy, at the Annual Meeting. Shares present which are properly withheld as to voting with respect to any one or more nominees, and shares present with respect to which a broker indicates that it does not have authority to vote ("broker non-vote") will not be counted. Cumulative voting in connection with the election of directors is not permitted. The affirmative vote of shares representing a majority of the votes cast by the holders of shares present and entitled to vote is required to approve the other matters to be voted on at the Annual Meeting. Shares, which are voted to abstain and broker non-votes, are not counted as votes cast on any matter to which they relate.

The By-Laws of the Company provide that the majority of the shares of the Common Stock of the Company issued and outstanding and entitled to vote, present in person or by proxy, shall constitute a quorum at the Annual Meeting. Shares, which are voted to abstain, are considered as present at the Annual Meeting for the purposes of determining a quorum. Broker non-votes are considered as present at the Annual Meeting for the purposes of determining a quorum.

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RECORD DATE AND SHARE OWNERSHIP

Only holders of Common Stock of record on the books of the Company at the close of business on October 8, 2008, will be entitled to vote at the meeting. There were outstanding and entitled to vote on October 8, 2008, 2,326,796 shares of Common Stock.

PROPOSAL NO.1

ELECTION OF DIRECTORS

The Company's Certificate of Incorporation, as amended, provides that the Board of Directors shall consist of not less than three nor more than nine persons with the actual number determined in accordance with the Company's bylaws. The Certificate of Incorporation further provides that there shall be three classes of directors (Class A, Class B and Class C) with overlapping three-year terms and that all classes shall be as nearly equal in number as possible.

The Board of Directors fixed the present number of directors at seven. The terms of two Class C Directors expire at the Annual Meeting. There are presently Three Class A Directors, whose terms expire at the 2009 Annual Meeting, and two Class B Directors, whose terms expire at the 2010 Annual Meeting.

The Board of Directors has nominated two persons to stand for election as Class C Directors.

The votes will be cast pursuant to the enclosed proxy for the election of each of the Class C nominees named unless specification is made withholding such authority. Each of the nominees is presently a director of the Company. Should any of said nominees for Class C Directors become unavailable, which is not anticipated, the proxies named in the enclosed proxy will vote for

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the election of such other persons as the Board of Directors may recommend. Proxies may not be voted for a greater number of persons than the nominees named.

The names and business experience for the past five years of the two persons who have been nominated by the Board of Directors to stand for election as Class C Directors at the Annual Meeting and the remaining directors whose terms are continuing until the 2009 or 2010 Annual Meeting appear below.

The Board has determined that the Board members with the exception of Howard Pinsley and Barry Pinsley are independent in accordance with the listing standards of the American Stock Exchange and the Bylaws of the Company.

The Board determined that the payments for miscellaneous legal services that have been made from time to time to the law firm Langrock, Sperry & Wool, of which Michael W. Wool is a Senior Partner, did not prevent it from concluding that Mr. Wool is independent, because the amount of the payments constituting legal fees have not exceeded \$60,000 during any of the four previous years.

The independent members of the Board met twice during the fiscal year ended June 30, 2008, with no members of management present.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE FOLLOWING
NOMINEES FOR CLASS C DIRECTORS.

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NOMINEES FOR CLASS C DIRECTORS - SERVING FOR A THREE YEAR TERM EXPIRING AT THE 2011 ANNUAL MEETING

Name ----	Age ---	Offices and Positions Held with Company -----	Principal Occupation orEmployment -----
Paul J. Corr	64		Certified Public Accountant who has been a Principal. Financial Advisors of New York. LLC, Clifton Park, NY. Mr. Corr is also a shareholder in the Clifton Park, N of Rutnik & Corr. P.C. In May 2007 he retired from S where he had been a Professor of Management and Busin
Michael W. Wool	62		Attorney engaged in private practice of law and Senior 1982 in the law firm of Langrock, Sperry &, Wool, w Burlington, VT and Middlebury, VT. Mr. Wool also ser board of the New England Board of Higher Education an Burlington Boys and Girls Club.

CONTINUING CLASS A DIRECTORS - SERVING FOR A THREE YEAR TERM EXPIRING AT THE 2009 ANNUAL MEETING

Name ----	Age ---	Offices and Positions Held with Company -----	Principal Occupation orEmployment -----
Howard Pinsley (1)	68	President, Chief Executive Officer and Chairman of the Board	Howard Pinsley has spent his entire career with the served as Program Director prior to being elected Vice Special Power Supplies on April 3, 1992. On December Pinsley was elected to the position of Executive Vice June 9, 1998 he was elected to the positions of President Operating Officer, Subsequently he became Chief Executive Chairman of the Board.

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CONTINUING CLASS A DIRECTORS - SERVING FOR A THREE YEAR TERM EXPIRING AT THE 2009 ANNUAL MEETING

Name ----	Age ---	Offices and Positions Held with Company -----	Principal Occupation orEmployment -----
Alvin O. Sabo	65		Attorney engaged in private practice of law and Of Co firm of Donohue, Sabo, Varley & Huttner, LLP in Alban a partner with a predecessor firm beginning in 1980. position, he was Assistant Attorney General, State of Department of Law for eleven years.

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Carl Helmetag	60	President and CEO of UVEX Sports Inc. in Cranston R.I. 1999, he was President and CEO of HEAD USA Inc. Prior to this position, Mr. Helmetag was Executive Vice President and President at Dynastar Inc. from 1978 to 1996. He is a graduate from The Wharton School of Business, University of Pennsylvania.
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CONTINUING CLASS B DIRECTORS - SERVING FOR A THREE YEAR TERM EXPIRING AT THE 2010 ANNUAL MEETING

Name ----	Age ---	Offices and Positions Held with Company -----	Principal Occupation or Employment -----
Barry Pinsley (1)	67		Certified Public Accountant who for five years has been a consultant to the Company prior to his election as a director. He completed Special projects on March 25, 1994. On December 6, 1999, he was elected to the position of Vice President-Investor Relations, from which he resigned on June 9, 1998. He has been a non-executive officer through December 31, 2005. Mr. Pinsley is a practicing Certified Public Accountant in Saratoga Springs, New York since 1975, and is currently semi-retired.
Seymour Saslow	87		Mr. Saslow was Senior Vice President from 1992 until 1999. From 1973 until being elected Senior Vice President, he served as Vice President. He joined the Company on July 22, 1973. Mr. Saslow graduated from the City College of New York in 1968 with a degree in electrical engineering and is a senior member of the Institute of Electrical and Electronics Engineers Inc. He has numerous patents and serves on the board of several charitable organizations.

(1) Barry Pinsley and Howard Pinsley are cousins.

None of the directors holds a directorship in any other company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of the Securities Exchange Act of 1934 or any company registered as an Investment Company under the Investment Company Act of 1940.

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The only individuals currently considered executive officers of the Company not identified previously are:

James Clemens, 59, Vice President of Sales and Marketing of the Company since March 1, 2004. He was elected as an executive officer on May 19, 2006. Mr. Clemens held various positions in the power systems industry for seven years prior to joining the Company. From 1997 to 1999, he was President and Chief Executive Officer of Ling Electronics, Inc., which was acquired by SatCon Power Systems. He then served as Transition Manager and consultant to SatCon until 2003.

Katrina L. Sparano, 37, Assistant Treasurer and Principal Accounting Officer of the Company since November 12, 2004. Ms. Sparano is a Certified Public Accountant. Prior to joining the Company on July 29, 2004, she was the Assistant Controller for Cambridge Heart, Inc.

Peggy A. Murphy, 50, Secretary of the Company since December 11, 1998.

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She has been employed by the Company as Director of Human Resources since October 1998.

David A. O'Neil, 43, Treasurer and Principal Financial Officer since January 4, 2000. Mr. O'Neil is a Certified Public Accountant who, prior to joining the Company, was a Senior Manager at the accounting firm of KPMG LLP.

The terms of office of all executive officers are until the next annual meeting of the Board of Directors unless successors are sooner appointed by the Board of Directors.

BOARD OF DIRECTORS MEETINGS AND COMMITTEES

During the Company's fiscal year ended June 30, 2008, the Board of Directors held a total of four meetings, and each director then in office attended at least 75% of such meetings. Under the policies of the Board, Directors are expected to attend regular Board meetings, Board committee meetings, as applicable, and the annual stockholder meeting. All of the Company's directors attended the 2007 Annual Meeting.

The Board has a standing Audit Committee whose members are Paul J. Corr, Chairman, Alvin O. Sabo and Carl Helmetag. The functions of this Committee include reviewing the engagement of the independent accountants, the scope and timing of the audit and any non-audit services to be rendered by the independent accountants, reviewing with the independent accountants and management the Company's policies and procedures with respect to internal auditing, accounting and financial controls, and reviewing the report of the independent accountants upon completion of its audit. During the fiscal year ended June 30, 2008, the Audit Committee held four meetings, and each Committee member attended at least 75% of such meetings.

The Board has a standing Nominating Committee whose members are Carl Helmetag, Chairman, Michael Wool, and Paul J. Corr. The function of this Committee is to identify and recommend to the Board individuals for nomination to fill vacancies in, and for renomination to, positions as Directors of the Corporation. During fiscal year ended June 30, 2008, the Nominating Committee held one meeting and each Committee member attended the meeting.

The Board has determined that all of the members of the Audit Committee and the Nominating Committee meet the independence criteria for audit committee and nominating committee members as set forth in the listing standards of the American Stock Exchange. The Board has further determined that Mr. Corr qualifies as an audit committee financial expert in accordance with the rules of the United States Securities and Exchange Commission ("SEC").

The Board of Directors does not have a standing compensation committee and believes that it is not necessary to have such a committee because all directors participate in the consideration of executive officer and director compensation. Howard Pinsley, President and Chief Executive Officer, makes recommendations to the full Board as to salary increases and bonuses for the other executive officers and also advises the other directors as to salary increases and bonuses to which he believes he is entitled based upon performance. Mr. Pinsley does not participate in the Board's deliberations regarding his own compensation.

The Board has a standing Stock Option Committee whose current members are Paul J. Corr, Chairman, Howard Pinsley, and Barry Pinsley. The functions of this Committee include recommending to the full Board to whom, and the time or times at which, options will be granted, the number of shares of common stock that underlie each option and the exercise price and vesting schedule for options granted pursuant to the Company's 2007 Stock Option Plan. During the fiscal year ended June 30, 2008, the Stock Option Committee held one meeting and

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each Committee member attended such meeting.

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The Board also has a Succession Committee, members of which are Paul J. Corr, Howard Pinsley, Alvin O. Sabo and Michael Wool and a Mergers and Acquisition Committee, members of which are Howard Pinsley, Barry Pinsley and Michael Wool.

NON-EMPLOYEE DIRECTOR COMPENSATION

Company employees who also serve on the Company's Board of Directors do not receive director's fees. The non-employee Directors receive an annual fee of \$24,000 for being a member of the Board of Directors. Each Director who also serves as a member of the Audit Committee is compensated an additional annual fee of \$5,000. Each Director who serves as a member of the Succession Committee or the Mergers and Acquisition Committee is compensated an additional \$2,500 for each committee. These fees are paid in monthly installments to the Directors.

The following table sets forth the compensation of the Company's non-employee Directors for the fiscal year ending June 30, 2008:

Name and Principal Position	Fees Earned or Paid in Cash \$	Option Awards (1) (3) \$	All Other Compensation (2) \$	T
Seymour Saslow	\$22,750	\$3,784	\$5,223	\$3
Barry Pinsley	\$25,250	\$5,298	\$2,674	\$3
Michael Wool	\$27,750	\$6,055	\$5,481	\$3
Paul Corr	\$31,250	\$7,568	\$0	\$3
Alvin O. Sabo	\$31,250	\$5,496	\$0	\$3
Carl Helmetag	\$27,750	\$5,298	\$0	\$3

- (1) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year ended June 30, 2008 in accordance with FAS 123R. For Information concerning the assumptions made in the valuation of awards, see Note 11 of our financial statements for fiscal year ended June 30, 2008.
- (2) Represents the dollar amount contributed for Director's health insurance for fiscal year ended June 30, 2008.
- (3) The non-employee Directors held the following unexercised options at fiscal year end 2008;

Name	Number of Securities Underlying Unexercised Options Exercisable Unexercisable (a)	Option Exercise Price \$	Option Expiration Date
Paul Corr	2000	\$17.80	5/19/2016
		\$18.29	2/21/2017
		\$21.54	5/23/2018
Carl Helmetag	1400	\$17.80	5/19/2016
		\$18.29	2/21/2017

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		1400	\$21.54	5/23/2018
Barry Pinsley	1400		\$17.80	5/19/2016
		1400	\$18.29	2/21/2017
		1400	\$21.54	5/23/2018
Alvin O. Sabo	1800		\$17.36	10/13/2015
	1400		\$17.80	5/19/2016
		1400	\$18.29	2/21/2017
		1400	\$21.54	5/23/2018
Seymour Saslow	500		\$17.36	10/13/2015
	1000		\$17.80	5/19/2016
		1000	\$18.29	2/21/2017
		1000	\$21.54	5/23/2018
Michael Wool	1600		\$17.80	5/19/2016
		1600	\$18.29	2/21/2017
		1600	\$21.54	5/23/2018

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(a) Unexercisable options vest as follows: (i) options with an expiration date of 2/21/2017 vest on 2/21/2009; (ii) Options with an expiration date of 5/23/2018 vest on 5/23/2010.

COMPENSATION OF EXECUTIVE OFFICERS

The following table summarizes the annual compensation for each of the fiscal years ended June 30, 2008 and June 30, 2007 received by the Company's principal executive officer and the Company's two most highly compensated executive officers other than the principal executive officer who received over \$100,000 in total compensation for the fiscal year ended June 30, 2008 (collectively, the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE					
Name and Principal Position	Year	Salary \$	Bonus \$	Option Awards (1) \$	All Other Compensation \$
Howard Pinsley	2008	\$214,865	\$60,000	\$15,056	\$30,985
President, Chief Executive Officer and Chairman of the Board	2007	\$206,048	\$40,000	\$18,007	\$40,175
David O'Neil	2008	\$129,260	\$25,000	\$7,330	\$14,838
Treasurer and Principal Financial Officer	2007	\$123,924	\$20,000	\$8,179	\$22,869
James Clemens	2008	\$143,789	\$10,000	\$7,330	\$5,300
Vice President of Sales and Marketing	2007	\$139,897	\$10,000	\$8,118	\$3,834

(1) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year ended June 30, 2008 in accordance with

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FAS 123R. For Information concerning the assumptions made in the valuation of awards, see Note 11 of our financial statements for fiscal year ended June 30, 2008.

(2) All other compensation for fiscal years 2008 and 2007 was represented by the value of shares of the Company's common stock allocated to the Named Executive Officers' accounts in the Company ESOP and Company matching contributions to the Company 401(k) Plan for the benefit of the Named Executive Officers, as set forth below. Dividends are paid on allocated shares in the Company ESOP at the same time and rate and in the same form as dividends paid on common shares generally.

Name	Year	ESOP (\$)	Value of allocated vested shares in Company Plan (\$)	Company Contributions to 401(k) Total
Howard Pinsley	2008	\$28,609	\$2,376	\$30,985
	2007	\$38,907	\$1,268	\$40,175
David O'Neil	2008	\$13,218	\$1,620	\$14,838
	2007	\$21,347	\$1,522	\$22,869
James Clemens	2008	\$5,300	-	\$5,300
	2007	\$3,834	-	\$3,834

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OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth information concerning outstanding equity awards held by the Company's Named Executive Officers at fiscal year end:

Name	Number of Securities Underlying Unexercised Options #	Number of Securities Underlying Unexercised Options #	Option Exercise Price \$	Option Expiration Date
	Exercisable	Unexercisable (a)		
Howard Pinsley	2000		\$11.25	8/20/2014
	4000		\$17.36	10/13/2015
	4000		\$17.80	5/19/2016
		4000	\$18.29	2/21/2017
		4000	\$21.54	5/23/2018
David O'Neil	1600		\$17.36	10/13/2015
	2000		\$17.80	5/19/2016
		2000	\$18.29	2/21/2017
		2000	\$21.54	5/23/2018
James Clemens		2000	\$18.29	2/21/2017
		2000	\$21.54	5/23/2018

(a) Unexercisable options vest as follows: (i) options with an expiration date of 2/21/2017 vest on 2/21/2009; (ii) Options with an expiration date of 5/23/2018 vest on 5/23/2010.

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SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information as of June 30, 2008 with respect to compensation plans under which equity securities of the Company may be issued.

Equity Compensation Plan Information			
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 available for future equity compensation securities referred to in this table
	(a)	(b)	
Equity compensation plans approved by security holders	126,500	\$18.40	3
Equity compensation plans not approved by security holders	-----		---
Total	126,500		

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INSURANCE

The executive officers and directors of the Company can elect to be covered under the company-sponsored health plans, which do not discriminate in favor of the officers, or directors of the Company and which are available generally to all employees. In addition, the executive officers are covered under a group life plan, which does not discriminate, and is available to all employees.

The Company maintains insurance coverage, as authorized by Section 726 of the New York Business Corporation Law, providing for (a) reimbursement of the Company for payments it makes to indemnify officers and directors of the Company, and (b) payment on behalf of officers and directors of the Company for losses, costs and expenses incurred by such individuals in any actions.

EMPLOYEE RETIREMENT PLAN AND TRUST

Under the Company's ESOP, approved by the Board of Directors on June 2, 1989, effective July 1, 1988, all non-union employees of the Company, including the Company's executive and non-executive officers are eligible to participate. The ESOP is a non-contributory plan, which is designed to invest primarily in shares of common stock of the Company. Certain technical amendments not considered material were adopted effective as of June 10, 1994, July 1, 2003, and July 1, 2005.

Of the 442,243 shares of common stock of the Company allocated to participants of the ESOP as of June 30, 2008, 26,435 shares were allocated to Howard Pinsley, 7,235 shares were allocated to David A. O'Neil, and 2,246 shares were allocated to James Clemens.

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The ESOP's purchase of common stock from the Company has been financed by loans from the Company to the ESOP. Each year the Company makes contributions to the ESOP, which are used to make loan interest and principal payments to the Company. Following each payment of principal on the loan, a portion of the unallocated shares held by the ESOP is allocated to participants

EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT

None of the Company's executive officers has a written employment agreement. The Company has an agreement with Howard Pinsley, President and Chief Executive Officer, most recently amended and restated as of August 17, 2007, under which upon Mr. Pinsley's termination or resignation as chief executive officer, he becomes a non-executive officer of the Company for a period of 36 months. In consideration for the performance of services to be provided by Mr. Pinsley for the equivalent of nine days per month, he will receive full benefits plus \$15,000 per month for the first three months and \$4,333 per month for the next 33 months. The agreement expires on December 31, 2009

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors (the "Committee") is comprised of three independent directors and operates under a written charter, revised most recently by the Board on February 16, 2007.

In fulfilling its responsibilities, the Committee has reviewed and discussed the Company's audited consolidated financial statements for the fiscal year ended June 30, 2008 with management and the independent auditors.

The Committee has discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). In addition, the Committee has received and reviewed the written disclosures and the letter from the independent auditors required by Independence Standard No.1, (Independence Discussions with Audit Committees), and has discussed with the auditors the auditors' independence.

The Committee considered and concluded that the provision of non-audit services by the independent auditors was compatible with maintaining their independence.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008.

The Audit Committee Charter is available on our website at www.espey.com under the tab "Investors".

Audit Committee:
Paul J. Corr, Chairman
Carl Helmetag
Alvin O. Sabo

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The Nominating Committee of the Board of Directors (the "Nominating Committee") is comprised of three independent directors and operates under a

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written charter. A copy of the charter is available on the Company's website, www.espey.com, under the tab "Investors".

The Nominating Committee will review the present needs of the Board and establish criteria as to particular qualifications in terms of background and experience that could meet such needs. At a minimum, the Nominating Committee believes that nominees for Directors should have either experience in the industry in which the Company engages or professional, business or academic qualifications that differ from existing members of the Board and could augment the aggregate expertise possessed by Board members. The Company further believes that all nominees should be able to make a contribution to the Board that will enhance the development and growth of the Company business and shareholder value; devote adequate time to service as a Director; and work well with other Board members in a collegial manner.

The Nominating Committee evaluates prospective nominees identified on its own initiative or referred to it by other Board members, management, shareholders or external sources and all self-nominated candidates. The Nominating Committee uses the same criteria for evaluating candidates nominated by shareholders and self-nominated as it does for those proposed by other Board members, management and search companies.

The Nominating Committee will consider bona fide recommendations by shareholders as to potential Director nominees, who meet the above standards. A shareholder wishing to submit such a recommendation should send a letter, postmarked no later than 120 days prior to the date on which the Company's annual meeting was held during the prior year, to the Secretary of the Company. The letter must identify its writer as a shareholder of the Company, provide evidence of the writer's stock ownership and provide:

- o The name, address, telephone number and social security number of the candidate to be considered;
- o A description of understandings, contractual, business or familial relationships between the shareholder and the candidate, if any, and an unexecuted written consent of the candidate to serve as a director of the Company, if nominated and elected;
- o The candidate's resume and at least three references;
- o A statement of the candidate's qualifications to serve on the Board of Directors and specified Board committees which shall include an explanation as to how elements of the candidate's background and experience would be a benefit to the Company and its business.

All candidates recommended to the Nominating Committee must meet the independence standards of the American Stock Exchange and the definition of "independent director" in the Company by-laws.

All nominees for election at this Annual Meeting were previously elected by the shareholders and are standing for re-election

SHAREHOLDER COMMUNICATIONS WITH THE BOARD

Mail can be addressed to Directors in care of the Office of the Secretary, Espey Mfg. & Electronics Corp. 233 Ballston Avenue, Saratoga Springs, New York 12866. At the direction of the Board of Directors, all mail received will be opened and screened for security purposes. The mail will then be logged in. All mail, other than trivial or obscene items, will be forwarded. Trivial

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items will be delivered to the Directors at the next scheduled Board meeting. Mail addressed to a particular Director will be forwarded or delivered to that Director. Mail addressed to "Outside Directors" or "Non-Management Directors" will be forwarded or delivered to the Chairman of the Audit Committee. Mail addressed to the "Board of Directors" will be forwarded or delivered to the Chairman of the Board.

10

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding ownership of the Company's outstanding Common Stock as of October 8, 2008, by each person or group who is known to the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock.

Title Class -----	Name and Address of Beneficial Owner -----	Amount and Nature Of Beneficial Ownership -----
Common Stock	Franklin Resources. Inc. One Franklin Parkway San Mateo, CA 94403-1906	156,000 - Direct (1)
Common Stock	Espey Mfg. & Electronics Corp. Employee Retirement Plan and Trust 233 Ballston Ave Saratoga Springs. NY 12866	667,886 - Direct (2)
Common Stock	Advisory Research, Inc. 180 North Stetson St. Suite 5500 Chicago, IL 60601	272,840 - Direct (3)

- 1) The information as to the number of shares of Common Stock and the percent of class ownership of the Company that may be deemed beneficially owned by Franklin Advisory Services, LLC ("Franklin") is from the Schedule 13G, dated October 12, 2006, filed with the Securities and Exchange Commission (the "SEC"). The Franklin statement indicated that Franklin's investment "management subsidiaries;" have sole voting and dispositive power with respect to all of the shares of Common Stock shown in the table above for Franklin. The Franklin statement indicates that the Common Stock set forth in the table is beneficially owned by one or more open or closed-end investment companies or other managed accounts which are advised by direct and indirect Franklin investment management subsidiaries. The statement also indicated that it filed the Schedule 13G on behalf of itself and Franklin's principal shareholders, Charles B. Johnson and Rupert H. Johnson, Jr. (the "Principal Shareholders"), all of which are deemed beneficial owners of the shares of Common Stock shown in the above table for Franklin. Franklin and the Principal Shareholders disclaim any economic interest or beneficial ownership in any of the Common Stock shown in the table for Franklin.
- 2) The administration of the shares of common stock held by the ESOP Trust is subject to the Second Amended and Restated Plan,

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effective as of July 1, 2002, creating the Trust, and a Trust Agreement dated July 15, 2005. The Trustees' rights with respect to the disposition of shares are governed by the terms of the Plan and the Trust Agreement. As to shares that have been allocated to the accounts of participants in the ESOP, the Plan provides that the Trustees are required to vote such shares in accordance with instructions received from the participants. As to unallocated shares and allocated shares for which voting instructions have not been received from participants, the Plan provides that the Trustees are required to vote such shares in accordance with the direction of a Committee, appointed by the Board of Directors of the Company under the terms of the Plan and Trust agreement. The Trustees, Howard Pinsley and Peggy A. Murphy, are the Chairman of the Board, Chief Executive Officer, President, and Secretary of the Company, respectively. The ESOP Committee is comprised of Mr. Pinsley, Ms. Murphy, Director Michael W. Wool and David A. O'Neil, the Treasurer and Principal Financial Officer of the Company. As of October 8, 2008, 442,886 shares were allocated to the accounts of participants and 225,000 shares were unallocated.

- 3) The information as to the number of shares of Common Stock and the percent of class ownership of the Company that may be deemed beneficially owned by advisory clients of Advisory Research, Inc. ("Advisory") is from the Schedule 13G dated August 31, 2008 filed with the SEC. Advisory, a registered investment advisor, is deemed to have beneficial ownership of 272,840 shares of the Company's Common Stock as of August 31, 2008, all of which shares are held in Advisory investment companies, trusts and accounts. Advisory, in its role as investment advisor and/or manager, reported sole voting power with respect to 272,840 shares.

11

SECURITY OWNERSHIP OF MANAGEMENT

The following information is furnished as of October 8, 2008 (unless otherwise indicated), as to each class of equity securities of the Company beneficially owned by all Directors and Executive Officers and by Directors and Executive Officers of the Company as a Group:

Title Class -----	Name and Address of Beneficial Owner -----	Amount and Nature of Beneficial Ownership -----
Common Stock	James Clemens	2,246-Indirect (2)
Common Stock	Paul Corr	10,439-Direct (1)
Common Stock	Carl Helmetag	14,504-Direct (1)
Common Stock	Peggy Murphy	2,400-Direct (1) 8,865-Indirect (2)
Common Stock	David O'Neil	13,200-Direct (1) 7,235-Indirect (2)

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Common Stock	Barry Pinsley	57,660-Direct (1)
Common Stock	Howard Pinsley	84,543-Direct (1) 26,435-Indirect (2)
Common Stock	Alvin Sabo	10,700-Direct (1)
Common Stock	Seymour Saslow	13,016-Direct (1)
Common Stock	Katrina Sparano	1,360-Direct (1) 1,207-Indirect (2)
Common Stock	Michael Wool	7,900-Direct (1) 1,500-Indirect (3)
	Officers and Directors as a Group (11 persons)	215,722-Direct (1) 46,988-Indirect (2) (3)

* Less than one percent

- 1) Direct shares include options to acquire shares which are exercisable within 60 days as follows:

Name of Beneficial Owner	Exercisable Options	Name of Beneficial Owner	Exercisable Options
Paul Corr	2,000	Howard Pinsley	10,000
Peggy Murphy	2,400	Alvin Sabo	3,200
David O'Neil	3,600	Seymour Saslow	1,500
Barry Pinsley	1,400	Katrina Sparano	1,200

- 2) Includes shares allocated to named director or officer as of June 30, 2008, as a participant in the Company's ESOP. Each such person has the right to direct the manner in which such shares allocated to him or her are to be voted by the ESOP Trustee.
- 3) Includes 1,500 shares owned by the spouse of Michael Wool. Beneficial ownership of these shares is disclaimed by Mr. Wool.

There are no arrangements known to the Company, the operation of which may at a subsequent date, result in change of control of the Company.

12

CODE OF ETHICS

The Company has adopted a Code of Ethics which is available on our website at www.espey.com. under the tab "Investors".

PROPOSAL NO.2

RATIFICATION OF APPOINTMENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Audit Committee has selected Rotenberg & Company, LLP as the Company's independent public accountants for the fiscal year ending June 30, 2009. Rotenberg & Company, LLP was first selected by the Audit Committee as the Company's independent public accountants for the fiscal year ending June 30, 2006.

Unless otherwise specified by the shareholders, the shares represented

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by their properly executed proxies will be voted for ratification of the appointment of Rotenberg & Company, LLP as independent accountants for the fiscal year ending June 30, 2009. The Company is advised by said firm that neither the firm nor any of its partners now has, or during the past three years had, any direct financial interest or material indirect financial interest or any connection with the Company.

A representative of Rotenberg & Company, LLP is expected to be present at the Annual Meeting with the opportunity to make a statement if he or she desires to do so and to be available to respond to appropriate questions from the shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF THE APPOINTMENT OF ROTENBERG & COMPANY, LLP AS INDEPENDENT PUBLIC ACCOUNTANTS FOR THE COMPANY FOR FISCAL YEAR ENDING JUNE 30, 2009.

The Company's Audit Committee has had policies and procedures for pre-approving all audit and non-audit work performed by Rotenberg & Company LLP for the fiscal year ended June 30, 2007, and 2008 respectively. Specifically, the Audit Committee has pre-approved the use of Rotenberg & Company LLP for performance of audit services and detailed, specific types of services within the following categories of audit-related and tax services. In each other case, the Audit Committee requires management to obtain specific pre-approval from the Audit Committee for any other work to be performed by its outside auditors.

The aggregate fees billed for professional services by Rotenberg & Company LLP in the fiscal years ended June 30, 2007, and 2008, respectively, for these various services were:

TYPE OF FEES	2008 ----	2007 ----
	Amount Billed	Amount Billed
(1) Audit Fees	\$ 67,500	\$ 52,500
(2) Audit Related Fees	None	None
(3) Tax Fees	8,000	8,000
(4) All Other Fees	None	None
Total	\$ 75,500 -----	\$ 60,500 -----

In the above table, in accordance with the Securities and Exchange Commission's definitions and rules, "audit fees" are fees the Company paid for professional services rendered by the principal accountant for the audit of the Company's annual financial statements included in Form 10-KSB and review of financial statements included in Form 10-QSBs, and for services that are normally provided by the principal accountant in connection with statutory and regulatory filings or engagements; "audit-related fees" are fees for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the Company's financial statements; "tax fees" are fees for tax compliance, tax advice and tax planning rendered by the principal accountant. 100% of the services set forth in sections (1) through (3) above were approved by the Audit Committee in accordance with its charter.

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COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers and persons who own more than ten percent of a registered class or the Company's equity securities, to file reports of beneficial ownership and changes in beneficial ownership with the Securities and Exchange Commission. Based solely upon its review of copies of such reports received by it, or upon written representations obtained from certain reporting persons, the Company believes that its officers, directors, and stockholders who own more than ten percent of the Company's equity securities complied with all Section 16(a) filing requirements for the fiscal year ended June 30, 2008.

ANNUAL REPORTS

The Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008, including financial statements as filed with the Securities and Exchange Commission, accompanies this Proxy Statement. Such financial statements are not incorporated herein by reference.

A copy of the Company's Annual Report on Form 10-KSB (including financial statements and schedules thereto) for the fiscal year ended June 30, 2008, filed with the Securities and Exchange Commission will be provided without charge upon the written request of shareholders to Espey Mfg. & Electronics Corp., attention: Investor Relations, 233 Ballston Avenue, Saratoga Springs, New York 12866. The Company's Form 10-KSB for the fiscal year ended June 30, 2008 can also be viewed electronically through a link at the Company's website at www.espey.com.

SHAREHOLDER PROPOSALS

Any shareholder proposal which may be a proper subject for inclusion in the proxy statement and for consideration at the 2009 Annual Meeting must be received by the Company at its principal executive office no later than June 18, 2009, if it is to be included in the Company's 2009 proxy statement and proxy form. In addition, the Company's bylaws outline procedures that a shareholder must follow to nominate directors or to bring other business before shareholders' meetings.

PROXY SOLICITATION

The solicitation of the enclosed proxy is being made on behalf of the Board of Directors and the cost of preparing and mailing the Notice of Meeting, Proxy Statement and form of proxy to shareholders is to be borne by the Company.

By Order of the Board of Directors,

Howard Pinsley
President, Chief Executive Officer
and Chairman of the Board

October 20, 2008
Saratoga Springs, New York

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PROXY FOR THE
2008 ANNUAL MEETING OF SHAREHOLDERS
November 21, 2008

COMMON

The undersigned hereby appoints Alvin O. Sabo and Carl Helmetag as Proxies, each with the power to appoint his substitute, and hereby authorizes them or any one of them to represent and to vote, as designated below, all the shares of common stock of ESPEY MFG. & ELECTRONICS CORP. which the undersigned would be entitled to vote if personally present at the 2008 Annual Meeting of Shareholders to be held on November 21, 2008 or any adjournment thereof.

1. TO ELECT: two Class C Directors Paul J. Corr and Michael W. Wool to serve for a three year term expiring at the 2011 annual meeting or until his successor is duly elected and qualifies.

PAUL J. CORR ☐ FOR ☐ WITHHOLD AUTHORITY
MICHAEL W. WOOL ☐ FOR ☐ WITHHOLD AUTHORITY

The Board of Directors recommends a vote FOR these nominees.

2. TO RATIFY the appointment of Rotenberg & Company, LLP as the independent public accountants of the Company for fiscal year ending June 30, 2009.

☐ FOR ☐ AGAINST ☐ ABSTAIN

The Board of Directors recommends a vote FOR this proposal.

No other business may be transacted at the meeting.

Please be sure to sign and date
this Proxy in the box below.

| Date |
| |

| |
| |

-----Shareholder sign above-----Co-holder (if any) sign above-----

^ Detach here, sign, date and mail in postage paid envelope provided. ^

ESPEY MFG. & ELECTRONICS CORP.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY
THE ABOVE SIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED
FOR PROPOSALS 1, AND 2.

Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporation name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE
ENCLOSED ENVELOPE.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED

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BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
ESPEY MFG. & ELECTRONICS CORP.

PROXY FOR THE
2008 ANNUAL MEETING OF SHAREHOLDERS
November 21, 2008

ESOP

The undersigned hereby appoints Alvin O. Sabo and Carl Helmetag as Proxies, each with the power to appoint his substitute, and hereby authorizes them or any one of them to represent and to vote, as designated below, all the shares of common stock of ESPEY MFG. & ELECTRONICS CORP. which the undersigned would be entitled to vote if personally present at the 2008 Annual Meeting of Shareholders to be held on November 21, 2008 or any adjournment thereof.

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PAUL J. CORR ☐ FOR ☐ WITHHOLD AUTHORITY
MICHAEL W. WOOL ☐ FOR ☐ WITHHOLD AUTHORITY

The Board of Directors recommends a vote FOR these nominees.

2. TO RATIFY the appointment of Rotenberg & Company, LLP as the independent public accountants of the Company for fiscal year ending June 30, 2009.

☐ FOR ☐ AGAINST ☐ ABSTAIN

The Board of Directors recommends a vote FOR this proposal.

No other business may be transacted at the meeting.

Please be sure to sign and date
this Proxy in the box below.

| Date |
| |

| |
| |
-----Shareholder sign above-----Co-holder (if any) sign above-----

^ Detach here, sign, date and mail in postage paid envelope provided. ^

ESPEY MFG. & ELECTRONICS CORP.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY
THE ABOVE SIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED
FOR PROPOSALS 1, AND 2.

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Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporation name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.
