

ESPEY MFG. & ELECTRONICS CORP. COMPENSATION COMMITTEE CHARTER

Purpose

The Compensation Committee (“Committee”) of the Board of Directors (“Board”) of Espey Mfg. & Electronics Corp., a New York corporation (“Corporation”) is established to, among things, assist in discharging the Board’s responsibilities relating to the compensation of the Corporation’s senior management and to advise the Board on the adoption of policies that govern the Corporation’s compensation and benefit programs.

Membership

The membership of the Committee shall consist of at least three (3) Directors of the Corporation, each of whom shall meet the independence requirements established by the Corporation’s By-Laws and applicable laws, regulations and listing requirements. The Board shall elect the Chairman of the Committee and its other members on an annual basis. The Chairman shall be responsible for preparing an agenda in advance of each meeting.

Meetings

The Committee shall meet as frequently as circumstances dictate, at a time and place determined by the Chairman. A majority of the members of the Committee shall constitute a quorum. The Committee shall maintain minutes or other records of its activities, and shall report to the Board concerning its activities. The Committee may invite the CEO and other senior management to its meetings, except that neither the CEO nor any other member of senior management may be present during deliberations and voting on such person’s compensation.

Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities, including the authority to retain and terminate special counsel, compensation consultants, or other experts or consultants, as it deems appropriate.

Duties and Responsibilities

The following are the duties and responsibilities of the Committee:

1. Review and recommend for approval by the Board, all compensation programs applicable to executive officers of the Corporation, including salaries paid to executive officers and the grant of all forms of bonuses and stock-based compensation provided to the executive officers.
2. In consultation with senior management, establish, review and evaluate the long-term strategy of executive compensation and the types of stock and other compensation plans used by the Corporation.

3. Assist the Board in establishing CEO annual goals and objectives and consult with the CEO in establishing annual goals and objectives for the other members of senior management.
4. Assist the Board in establishing plans for executive officer development.
5. Following consultation with senior management, recommend to the full Board grants and awards under the Corporation's stock option plans and other equity-based plans. It is not intended that the authority of the Board under the 2007 Stock Option Plan be delegated to the Committee, but rather that the Committee serve in an advisory capacity.
6. Periodically review the compensation paid to non-employee directors and make recommendations to the Board for any adjustments.
7. Review and approve, in consultation with the CEO, any severance or similar termination payments proposed to be made to any current or former executive officer of the Corporation (other than the current CEO), and review and recommend to the Board any severance or similar termination payments proposed to be made to the current CEO.
8. Discuss with management the Corporation's Compensation Discussion and Analysis ("CD&A") for the annual proxy statement and based on the review and discussion, recommend to the Board that the CD&A be included in the Corporation's annual proxy statement; and produce an annual report of the Compensation Committee on executive compensation for the Corporation's annual proxy statement, in compliance with and to the extent required by the applicable rules and regulations of the Securities and Exchange Commission and relevant listing authority.
9. Regularly review and make recommendations regarding changes to the charter of the Committee.
10. Perform an annual evaluation of the Committee's performance and make applicable recommendations to the Board.

Adopted February 20, 2009