

# ESPEY MFG. & ELECTRONICS CORP.

## CODE OF ETHICS AND BUSINESS CONDUCT

### I. Introduction

Espey Mfg. & Electronics Corp., hereinafter the "Company" is firmly committed to maintaining high ethical standards and professional integrity. The purpose of this Code of Ethics and Business Conduct, hereinafter the "Code" is to codify the ethical values that have historically been an integral part of the Company's business practice. The Company strongly believes that its ability to succeed in the future depends on its employees, management, officers (including executive officers, which include the Chairman of the Board, President, Chief Executive Officer, Treasurer, Vice-President, Corporate Secretary, Assistant Treasurers) and directors (collectively hereinafter referred to as "Employees") being personally committed to ethical business practices. Although not every type of situation may be covered, the sections below are intended to give Employees a sense of the values that the Company seeks to promote and the sort of conduct the Company hopes to foster among its Employees. In the event that a situation not covered in this Code arises, Employees should seek guidance from a supervisor or, if an Employee does not feel comfortable seeking guidance from his or her supervisor, the Corporate Secretary or, in the case that an executive officer or director is involved, alternatively from the Chairman of the Audit Committee hereinafter "Audit Committee" of the Company's Board of Directors hereinafter the "Board".

You are responsible for reviewing this Code, including company policies applicable to you, and for acting in compliance with this Code in your daily activities. You have a personal responsibility to conduct the Company's business in a manner consistent with the principles set forth in this Code. You cannot avoid this responsibility by ignoring actions by other Employees that violate the Code or by carrying out instructions that are contrary to the Code and which were given to you by a supervisor. Your cooperation and assistance is necessary for the continued success of the Company's business and maintenance of its reputation as a valued corporate citizen.

### II. Conflicts of Interest

Company policy prohibits conflicts between the interests of its employees and the Company. A conflict of interest exists when an employee's personal interest interferes or may interfere with the interests of the Company. Conflicts of interest may not always be clear, so if an employee has a concern that a conflict of interest may exist, they should consult with higher levels of management, the company's Corporate Secretary, or, in the case that an executive officer or director is involved, to the Chairman of the Audit Committee or the Board.

### III. Corporate Opportunities

Employees are prohibited from (i) personally taking for themselves opportunities that arise through the use of corporate property, information or position, or (ii) using corporate

property, information or position for personal gain. Personal gain that is immaterial and nominal in amount is not considered a violation of this Code.

#### IV. Commercial Bribery

The paying of commercial bribes, kickbacks and other similar payoffs and benefits to any suppliers or customers are illegal and prohibited by Company policy.

#### V. Political Contributions

The Company encourages its Employees to participate in the political process, but the contribution of Company funds or assets to political candidates, parties or organizations is not allowed without the prior approval of the President or the Board. The use of Company facilities or resources for political purposes is also prohibited. An Employee may not represent to a third party that a personal political contribution is actually a contribution by the Company without the prior approval of the President or the Board.

#### VI. Protection and Proper Use of Company Property and Assets

All employees should endeavor to protect the Company's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. Any suspected incidents of fraud or theft should be immediately reported to the Employee's supervisor or, if an Employee does not feel comfortable reporting to his or her supervisor, to the Corporate Secretary or, in the case that an executive officer or director is involved, alternatively to the Chairman of the Audit Committee or the Board. Company assets, such as funds, technology, products or computers, may only be used for legitimate business purposes or other purposes approved by management. Company assets may never be used for illegal, inappropriate or unauthorized purposes. The occasional and reasonable personal use of Company assets is permitted.

#### VII. Confidentiality

Employees must maintain the confidentiality of information entrusted to them by the Company or that otherwise comes into their possession in the course of their employment, except when disclosure is authorized or legally mandated. The obligation to preserve confidential information continues even after you leave the Company. The confidential information of the Company is composed of proprietary information and the "good ideas" particular to the Company and not widely known by others in its industry. Confidential information that should be safeguarded includes, but is not limited to, the following by illustration not limitation:

- customer and supplier lists;
- material costs and profit margins;
- past or future pricing policies
- trade secrets and copyrights;
- salary and personnel information; and
- any unpublished financial records.

## VIII. Confidentiality of Customer Information

Information concerning the identity of customers and their transactions and accounts is confidential. Such information may not be disclosed to persons within the Company except as they may need to know in order to fulfill their responsibilities to the Company. You may not disclose such information to anyone or any entity from outside the Company unless authorized by the Company and (i) the outside firm needs to know the information in order to supply products to or perform services for the Company and is bound in writing to maintain its confidentiality, (ii) when the customer has consented to the disclosure in writing, (iii) as required by law or court order or (iv) as authorized by the President, or Chairman of the Audit Committee.

## IX. Anti-Trust Laws

The Company encourages competition, which benefits consumers by prohibiting unreasonable restraints on trade. Espey competes vigorously while at the same time adhering to both the letter and spirit of antitrust laws.

## X. Stock Trading

While the Company encourages its Employees to invest in the Company's stock, Employees are prohibited from engaging in any stock transactions based on confidential information acquired as a result of their employment with the Company. The prohibition extends to the trading in both the stock of the Company and the stock of any party that does business with the Company. The sharing of non-public information with third parties for stock trading purposes ("tipping") is also prohibited and may expose an Employee to personal liability.

The Company permits Employees to invest in the stock of publicly traded competitors as long as the investments are not material and do not pose a conflict of interest.

The laws governing stock transactions are extremely complicated and strictly enforced by the Securities and Exchange Commission. Employees should be aware that by violation the securities laws they could be exposing themselves to fines and/or incarceration. When in doubt as to the appropriateness of a particular stock trade, Employees should contact the Corporate Secretary. Executive officers and directors should contact Corporate Counsel, the Treasurer or the Chairman of the Audit Committee for guidance concerning a particular stock transaction.

## XI. Accuracy and Preservation of Company Records

All Employees are charged with the responsibility of making sure that all transactions are fully and completely documented. Employees should note that because the Company's financial statements are a comprehensive analysis of the Company's

financial position, even those records that are not actual accounting records are reflected in the financial statements. For this reason, it is important that all Employees be as accurate as possible when recording non-accounting information, such as time sheets, purchase orders or invoices.

The Company is required to provide full, fair, accurate, timely and understandable disclosure in reports and documents that it files with, or submits to, the Securities and Exchange Commission (the "SEC") and other regulatory agencies and in all other public communications made by the Company. Our financial statements and the books and records on which they are based and any portion of any reports to or filings or communications with the SEC, other regulatory agencies or the public must accurately reflect in all material respects all corporate transactions and conform to all legal and accounting requirements and our system of internal controls. Accordingly, the Company expects all personnel to ensure that those portions of its books, records and accounts for which they have responsibility are valid, complete, accurate and supported by appropriate documentation in verifiable form. Similarly, the Company expects all personnel to ensure that all reports and documents filed with the SEC and all other public communications for which they are responsible provide full, fair, accurate and understandable disclosure and that the same are filed on a timely basis.

Company records should only be destroyed in accordance with Company policy. In no case may documents involved in a pending or threatened litigation or government inquiry or under subpoena or other information request be discarded or destroyed. In addition, no one should ever destroy, alter or conceal, any record or otherwise impede any official proceeding, either personally or in conjunction with or by attempting to influence another person.

## XII. Health and Safe

The Company strives to provide all Employees with a safe and healthy work environment. Employees should promptly report all accidents, injuries and unsafe conditions to a supervisor.

The Company will not tolerate violence or the threat of violence in the workplace. The use of illegal drugs and/or the consumption of alcohol in the workplace or on Company property is also strictly prohibited.

## XIII. Equal Employment Opportunity

It is our policy to hire, retain, advance, train, terminate and otherwise treat Employees and job applicants on the basis of merit, qualifications and competence. We apply this policy without regard to any qualified individual's race, creed, color, sex, pregnancy, religion, age, national origin, ancestry, citizenship, disability, medical condition, marital status, sexual orientation, veteran status, status with respect to public assistance, political affiliation or any other characteristic protected by state or federal law.

Our workplace is one of inclusion that fosters productivity and individual growth. We respect others and do not tolerate discrimination or harassment of any kind, including any verbal or physical harassment regarding race, creed, color, sex, pregnancy, religion, age, national origin, ancestry, citizenship, disability, medical condition, marital status, sexual orientation, veteran status, status with respect to public assistance, political affiliation or any other characteristic protected by state or federal law. We expect our supervisors to implement these employment policies and to create a working environment supportive of optimal performance and opportunities for growth and advancement. Acts of discrimination or harassment are subject to disciplinary action, including termination of employment.

#### XIV. Outside Employment and Other Outside Activities

Employees may not engage in outside employment or other outside activity that interferes with their duties and responsibilities at the Company. This includes outside activities that may be misconstrued to be activities of the Company and any activity that competes with the Company.

#### XV. Compliance with Laws, Rules and Regulations

Employees are to respect all applicable laws, rules and regulations at all times. We must, in this area, also avoid even the appearance of impropriety. Although Employers are not expected to be familiar with all the nuances of the applicable laws, rules and regulations, they are expected to, at the very least, possess enough knowledge of the subject to know when to seek advice from a supervisor or, if uncomfortable seeking advice from a supervisor, the Treasurer or, in the case that an executive officer or director is involved, alternatively from the Chairman of the Audit Committee or the Board.

Employees receiving instructions they know or suspect to be in violation of a law, rule or regulation are not to proceed without first consulting a supervisor or, if an Employee is uncomfortable consulting his or her supervisor, the Corporate Secretary or, in the case of executive officers and directors, alternatively the Chairman of the Audit Committee or the Board. Employees should exercise good judgment when deciding from whom to solicit advice.

#### XVI. Encouraging Communication between Employees and Superiors

This Code does not and could not provide a solution to all of the possible dilemmas an Employee might encounter during the course of his or her employment. For this reason, the Company strongly encourages Employees to contact their supervisors and seek assistance in order to achieve the appropriate result for both themselves and the Company. Where an Employee does not feel comfortable discussing the problem with his or her supervisor, he or she should contact the Corporate Secretary or, in the case that an executive officer or director is involved, alternatively the Chairman of the Audit Committee or the Board.

## XVII. Violations and Reporting

The Company will not tolerate any violations of this Code. Employees found not to be in compliance with any section of this Code will be subject to disciplinary action up to and including termination with cause. The fact that an Employee may have been instructed by a superior to act contrary to this Code does not relieve that Employee from his or her responsibility under this Code. In addition, knowledge that a violation has taken place and failure to report it to the proper Company officials may result in disciplinary action.

The Company will investigate any matter reported pursuant to this Code and, upon a determination by the Corporate Secretary or, for matters involving executive officers or directors, a determination by the Audit Committee or the Board, that a violation has occurred, will take appropriate disciplinary and corrective action, up to and including termination with cause. Employees are required to cooperate in any investigations into possible violations of this Code or any other Company policy and failure to do so may result in termination.

## XVIII. Non-Retaliation

It is your obligation to report issues regarding possible violations of business regulations or this Code when you suspect in good faith that a violation may have or might occur. No Employee will be retaliated against for making a good faith complaint or bringing inappropriate conduct to the Company's attention, for assisting another Employee in making a good faith report or for cooperating in an investigation. Any Employee who engages in retaliatory conduct in violation of our policies will be subject to disciplinary action, up to and including termination of employment. If you reasonably believe retaliatory conduct has occurred, you must report such conduct to the Corporate Secretary or, in the case that an executive officer or director is involved, alternatively the Chairman of the Audit Committee or the Board.

## XIX. Waiver

Any Employee (other than an executive officer or director) that desires to be exempted from a particular section of this Code must first seek approval from the Corporate Secretary. In the case of executive officers and directors, waivers may only be granted by the Board, with only the independent members voting, and will be promptly filed and/or disclosed as required by all applicable securities or other laws, rules or regulations or the requirements applicable to American Stock Exchange issuers or such other exchange or system upon which the Company's securities are listed, quoted or traded.

## XX. Other Policies Regarding Employment

This Code is supplemental to, and not in place of, the policies and procedures

contained in any policies, procedures or agreements that the Company may implement or execute from time to time with respect to its employees, officers and/or directors.