

**ESPEY MFG. & ELECTRONICS CORP.
AUDIT COMMITTEE CHARTER**

Purpose

The primary purpose of the Audit Committee (the “Committee”) is to assist the Board of Directors (the “Board”) of Espey Mfg. & Electronics Corp. (the “Company”) in fulfilling its oversight responsibilities by

- Overseeing management’s conduct of the Company’s financial reporting process and systems of internal accounting and financial controls;
- Monitoring the independence and performance of the Company’s outside auditors;
- Providing an avenue of communication among the outside auditors, management and the Board; and
- Overseeing compliance with ethical standards adopted by the Company.

The Committee is empowered to appoint, compensate and oversee the work of any registered public accounting firm employed by the Company. The Committee’s appointment of the registered public accounting firm to audit the Company’s annual financial statements shall be submitted to the shareholders of the Company for ratification.

The Committee is empowered to investigate any matter related to its oversight role brought to its attention with full access to all books, records, facilities and personnel of the Company and the power to retain outside counsel, auditors and other experts, as appropriate, for this purpose. The Company shall ensure that the Committee is provided with adequate funding in order to pay compensation to any advisers so retained and to pay the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The Committee shall review the adequacy of this Charter on an annual basis, and recommend to the Board any necessary amendments.

Membership and Meetings

The Committee is appointed by the Board and shall be comprised of not less than three members at all times, each of whom must be independent of management and the Company and otherwise meet the requirements of applicable NYSE MKT rules and regulations.

Accordingly, all of the members will be directors:

1. Who have no relationship to the Company that may interfere with the exercise of their independence from management and the Company; and
2. Who are financially literate or who become financially literate within a reasonable period of time after appointment to the Committee. In addition, at least one

member of the Committee will have such accounting or related financial management expertise in order to qualify as an “audit committee financial expert” in compliance with the criteria established by the SEC.

The Board shall name a chair of the Committee, who shall be responsible for preparing an agenda in advance of each meeting. 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 full Board concerning its activities.

The Committee shall meet as frequently as circumstances dictate, but no less than four times annually. As part of its job to foster open communication, the Committee should meet at least annually separately with management and the outside auditors to discuss any matters that the Committee believes should be discussed privately.

Key Responsibilities

The Committee’s job is one of oversight and it recognizes that the Company’s management is responsible for preparing the Company’s financial statements and that the outside auditors are responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management, including the internal accounting and audit staff, as well as the outside auditors, have more time, knowledge and more detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the outside auditor’s work.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. The Committee shall:

- Review with management and the outside auditors the Company’s annual audited financial statements, review and consider with the outside auditors the matters required to be discussed by applicable auditing standards, and determine whether to recommend to the Board that the financial statements be included in the Company’s Annual Report on Form 10-K to be filed with the SEC (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K) .
- Review with management and the outside auditors the Company’s interim financial results to be included in the Company’s quarterly reports on Form 10-Q, prior to their filing with the SEC, as well as all internal control reports, and review of other financial reports submitted by the Company to any governmental body or the public.
- Review the independence of the outside auditors and in connection therewith:
 - (i) request from the outside auditors annually, a formal written statement delineating all relationships between the auditor and the Company that may affect the independence and objectivity of the outside auditors;

(ii) discuss with the outside auditors any such disclosed relationships and their impact on the outside auditors independence; and

(iii) recommend that the Board take appropriate action, if necessary, to oversee the independence of the outside auditors.

- Review and evaluate the proposals submitted by prospective auditors in connection with the Committee's appointment of the Company's outside auditors and the submission of such appointment to the shareholders for ratification.
- Oversee the work performed by the Company's outside auditors, evaluate the performance of such auditors and discharge such auditors if circumstances warrant.
- Review and pre-approve any non-audit services to be performed by the independent outside auditors.
- In consultation with management and the outside auditors, review the integrity of the Company's financial reporting processes, the internal control structure (including disclosure controls and internal control over financial reporting), and the Company's risk assessment and risk management policies, including matters relating to the security of and risks associated with technology and data systems and processes, business continuity and operational risks.
- Review potential conflicts of interest involving members of the Board and management and review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K.
- Establish procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and procedures for the confidential, anonymous submission by Company employees of any concerns related to the Company's ethics policies, legal issues and accounting or audit matters.
- Prepare an annual report containing the information prescribed by the SEC for inclusion in the Company's proxy statement in connection with the annual meeting of shareholders.

Revised September 9, 2016