

ESPEY MFG & ELECTRONICS CORP  
Form DEF 14A  
October 16, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant  x

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 Pursuant to Rule 14a-11(c) or 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)(1) 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 calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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 DECEMBER 5, 2014**

October 15, 2014

*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 by Marriott, 11 Excelsior Ave., Saratoga Springs, New York, on December 5, 2014, at 9:00 a.m., Eastern Standard Time, for the following purpose:

1. To elect as Class C Directors to serve for a three year term expiring at the 2017 Annual Meeting or until their respective successors are duly elected and qualify, the two nominees named in the attached proxy statement.

No other business may be transacted at the meeting.

The Board of Directors has fixed the close of business on October 10, 2014, 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.

By Order of the Board of Directors,

*Peggy A. Murphy*  
*Corporate Secretary*

***IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD DECEMBER 5, 2014:***

*This notice of Annual Meeting, Proxy Statement and accompanying Annual Report to the Shareholders are available at our website at <http://www.espey.com>.*

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

**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 by Marriott, 11 Excelsior Ave., Saratoga Springs, New York, on December 5, 2014, 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 15, 2014.

**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 FOR the election of the Class C Directors nominated by the Board of Directors. 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.

**Please note that in accordance with rules of the New York State Stock Exchange governing brokers, the election of directors (Proposal No. 1) is a “non-discretionary” item. Shares which are held in a brokerage account as to which the broker does not receive instructions on how to vote with respect to this item may not be voted with respect to this proposal and those votes will be counted as “broker non-votes.”**

**What are Broker Non-Votes?** Broker non-votes are shares held in the street name by a broker that the broker has no discretionary authority to vote. Brokers do not have authority to vote on matters considered to be non-routine unless they have received instructions from the beneficial owners of the shares.

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.

#### **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 10, 2014, will be entitled to vote at the meeting. There were outstanding and entitled to vote on October 10, 2014, 2,359,001 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 By-Laws. 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 2015 Annual Meeting, and one Class B Director, whose term expires at the 2016 Annual Meeting. The Board of Directors has not taken action to fill the vacancy resulting from the resignation of Mark St. Pierre effective June 27, 2014.

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 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 2015 or 2016 Annual Meeting appear below.

The Board has determined that all of the Board members with the exception of Howard Pinsley are independent in accordance with the listing standards of the NYSE MKT and the By-Laws of the Company.

The independent members of the Board met incidental to each regularly scheduled Board of Directors meeting and three additional times during the fiscal year ended June 30, 2014, with no members of management present.



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

<b>Name</b>	<b>Age</b>	<b>Company</b>	<b>Principal Occupation or Employment</b>	<b>Offices and Positions Held with</b>	<b>Period to Date</b>	<b>Served as</b>
Paul J. Corr	70		Certified Public Accountant who has been a Principal at Capital Financial Advisors of New York, LLC, Clifton Park, NY since 2003. Mr. Corr was also a shareholder in the Clifton Park, NY accounting firm of Rutnik & Corr, P.C. from July 1999 through August 2011. In May 2007 he retired from Skidmore College where he had been a Professor of Management and Business since 1981.		1992	<u>Director</u>
Michael W. Wool	68		Attorney engaged in private practice of law and senior partner since 1982 in the law firm of Langrock, Sperry & Wool, with offices in Burlington, VT and Middlebury, VT. Mr. Wool also serves on the board of the New England Board of Higher Education as Chair-Elect and as a director emeritus of the Boys and Girls Club of Burlington, VT.		1990	

**CONTINUING CLASS A DIRECTORS - SERVING FOR A THREE YEAR TERM****EXPIRING AT THE 2015 ANNUAL MEETING.**

<u>Name</u>	<u>Age</u>	<u>Offices and Positions Held</u>	<u>Principal Occupation or Employment</u>	<u>Period To Date Served As Director</u>
Howard Pinsley (1)	74		Howard Pinsley spent his entire career with the Company. He served as Program Director prior to being elected Vice President-Special Power Supplies on April 3, 1992. On December 6, 1996, Mr. Pinsley was elected to the position of Executive Vice President. On June 9, 1998 he was elected to the positions of Chief Operating Officer and President. Subsequently he became Chief Executive Officer and Chairman of the Board. On February 28, 2010 Mr. Pinsley retired from the position of President and Chief Executive Officer.	1992
Alvin O. Sabo	71		Attorney engaged in private practice of law and Of Counsel to the law firm of Donohue, Sabo, Varley & Huttner, LLP in Albany, NY. He was a partner with a predecessor firm beginning in 1980. Prior to that position, he was Assistant Attorney General, State of New York, Department of Law for eleven years and an associate with the intellectual property firm of Kenyon and Kenyon for two years.	1999
Carl Helmetag	66		An independent business consultant specializing in helping companies commercialize technology. Mr. Helmetag was Vice President Sales of AlphaMicron Inc., Kent, Ohio from 2009 - 2011; President and CEO of UVEX Sports Inc. in Cranston, R.I. from 1999 - 2009; President and CEO of HEAD USA Inc. 1996 - 1999; Vice President and then President at Dynastar Inc. from 1978 - 1996. He has a MBA from The Wharton School of Business, University of Pennsylvania and a BA in Economics from the University of Wisconsin. Mr. Helmetag also serves as a trustee of the Newport Art Museum.	1999



**CONTINUING CLASS B DIRECTOR - SERVING FOR A THREE YEAR TERM**

**EXPIRING AT THE 2016 ANNUAL MEETING.**

<b>Offices and Positions Held With</b>	<b>Period to Date Served as Director</b>
<b><u>Name</u>   <u>Age</u>   <u>Company</u>   <u>Principal Occupation or Employment</u></b>	
Barry Pinsley 72 (1)	Certified Public Accountant who for five years acted as a consultant to the Company prior to his election as a Vice President Special Projects on March 25, 1994. On December 6, 1997, Mr. Pinsley was elected to the position of Vice President-Investor Relations and Human Resources, from which he resigned on June 9, 1999. He continued as a non-executive officer through December 31, 2005. Mr. Pinsley was a practicing Certified Public Accountant in Saratoga Springs, New York from 1975, and is currently retired.

(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 Act of 1933 or any company registered as an Investment Company under the Investment Company Act of 1940.

**BOARD OF DIRECTORS QUALIFICATONS**

The Board of Directors believes that with respect to current Board members, a demonstration of dedicated commitment to the responsibilities of a director is a leading criteria for assessing such person's qualifications for continued service on the Board. The Board will also consider a nominee's relationship to the Company and the following skill sets and experience in evaluating Board candidates: industry experience, corporate management experience, financial acumen, experience in international sales, mergers and acquisition experience and corporate governance experience.

The specific experiences, qualifications, attributes and skills of each of the nominees for director and the individuals continuing as directors are as follows:

Mr. Corr's experience as a certified public accountant, investment advisor and professor of management and business at Skidmore College where he taught accounting theory, finance, and taxation brings strong financial skills to the Board and qualifies him as the Audit Committee financial expert and the person on the Board responsible for risk assessment oversight.

Mr. Wool is a business and tax lawyer with over forty years of experience advising a broad range of clients in a broad spectrum of business, tax, governmental, commercial, employment and transactional matters. He provides valuable insight to the Espey Board in its deliberations and consideration of strategic initiatives including potential business combinations and acquisitions, employee and executive compensation matters, corporate governance matters and other legal issues.

Mr. Helmetag has a very strong business leadership, financial management and strategic planning background through his long career as a senior executive in several corporations. His personal experience in business development, economic conditions and financial issues is an invaluable resource for the Board on a myriad of matters it must consider from time to time.

Mr. Howard Pinsley's affiliation with the Company for his entire professional career and his long-term service as a senior executive officer provides him with intimate knowledge of every aspect of the Company's operations. His personal role in the development of the Company's product line and his personal contacts with relationship persons at the Company's domestic and international customers provide the Board with a vital resource in drawing upon the Company's historic strengths while considering initiatives for future growth and development of the Company's business.

Mr. Sabo's experience through his long career as a commercial, government contracts and personal injury litigation lawyer is an asset to the Audit Committee and the full Board in its evaluation of legal, operational and employment-related risks. His educational background in electrical engineering, his experience in patent and intellectual property law and his experience in insurance coverage matters is valuable to the Board's consideration of numerous issues pertaining to the Company's business.

Mr. Barry Pinsley was associated with the Company in various consulting and employment capacities for more than thirty-five years and assists the Board with his knowledge regarding the Company's product lines, operations and corporate culture as a small public company that evolved from a family-owned firm. In addition, his experience as a certified public accountant is an asset to the Board in its consideration of financial matters.

## **OTHER EXECUTIVE OFFICERS**

The only individuals currently considered executive officers of the Company are:

David A. O'Neil, 49, Interim President and CEO since June 2, 2014, and Treasurer and Chief 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.

Katrina L. Sparano, 43, Interim Principal Financial Officer since June 2, 2014 and 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, 56, Secretary of the Company since December 11, 1998. She has been employed by the Company as Director of Human Resources and Facility Security Officer since October 1998.

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, 2014, the Board of Directors held a total of six 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.

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, 2014, the Audit Committee held six 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, Alvin O. Sabo, 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 the fiscal year ended June 30, 2014, the Nominating Committee held one meeting and each Committee member attended the meeting.

The Board of Directors has a standing Compensation Committee whose members are Michael Wool, Chairman, Carl Helmetag and Barry Pinsley. The functions of this Committee include recommending to the full Board all compensation programs applicable to executive officers including salaries paid to executive officers, the compensation paid to non-employee directors and the grant of all forms of bonuses and stock-based compensation including 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 and Restricted Stock Plan. During the fiscal year ended June 30, 2014, the Compensation Committee held one meeting and each Committee member attended such meeting.

*Board Independence* - 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 NYSE MKT. 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 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.

*Board Leadership* - The Board of Directors has not designated an individual as the lead independent director. Rather, the Board will designate one of its independent directors to act as a lead director on an ad hoc basis. For example, the Succession Committee is currently responsible for overseeing the process of identifying a new Principal Executive Officer to replace Mr. St. Pierre whose service to the company terminated on June 27, 2014. Mr. Sabo has been designated as the lead independent director for this project.

*Risk Oversight* - The Board oversees the Company's processes to manage risk and has delegated the primary responsibility for reviewing policies with respect to risk assessment and risk management to the Audit Committee. Management is responsible for the development, implementation and maintenance of the risk management processes and is requested to report to the Audit Committee or the full Board periodically on its assessment of operational, financial and accounting, competitive, reputational and legal risks to the Company.

#### **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 \$45,000 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 \$2,500 with the exception of the Chairman who is compensated an additional annual fee of \$5,000. Each Director who serves as a member of the Succession Committee, Compensation 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 Board has adopted a Retired Director Compensation Program for the Directors of the Corporation. Under the plan, directors who have attained the age of 76 are required to retire from the Board, provided that retirement may be delayed until the end of the director's term. Directors who have retired shall be eligible to become a "director emeritus" for a maximum period of four (4) years. The actual term of a director emeritus shall be calculated on the basis of one quarter of a year for each year of service as a Board member. A director emeritus will have no vote, but will be expected to participate in meetings of the Board. If the director emeritus participates in at least 75% of the Board meetings during a calendar year, in person or by telephone, the director emeritus will be entitled to receive remuneration in the amount of the base annual director fee at the time of his or her retirement. In addition, a director emeritus will be entitled to participate in the Corporation's insurance programs offered to its employees.

An individual who has retired as a director but is an employee of the Corporation, or is otherwise receiving compensation from the Corporation under a severance contract or program will not be eligible for payment.

Pursuant to agreements between the Company and each of the non-executive Directors the benefit of the Retirement Program may not be modified without an individual Director's consent.

The following table sets forth the compensation of the Company's non-employee Directors for the fiscal year ending June 30, 2014:



Name	Fees Earned or Option		All Other	Total
	Paid in Cash	Awards (2)	Compensation (1)	
	\$	\$	\$	\$
Paul Corr	\$52,500	\$5,654	\$0	\$58,154
Carl Helmetag	\$50,000	\$5,654	\$5,753	\$61,407
Barry Pinsley	\$50,000	\$5,654	\$3,836	\$59,490
Howard Pinsley	\$50,000	\$5,654	\$7,674	\$63,328
Alvin O. Sabo	\$50,000	\$5,654	\$0	\$55,654
Michael Wool	\$52,500	\$5,654	\$7,674	\$65,828

1. Represents the dollar amount contributed for Director's health insurance for fiscal year ended June 30, 2014  
 Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year  
 2. ended June 30, 2014 in accordance with ASC Topic 718. For information concerning the assumptions made in the  
 valuation of awards, see Note 11 of the Company's financial statements for fiscal year ended June 30, 2014.

The non-employee Directors held the following unexercised options at June 30, 2014:

<u>Name</u>	<u>Number of Securities Underlying Unexercised Options # Exercisable</u>	<u>Number of Securities Underlying Unexercised Options # Unexercisable (a)</u>	<u>Option Exercise Price \$</u>	<u>Option Expiration Date</u>
Paul Corr	1000		\$17.80	5/19/2016
	2000		\$18.29	2/21/2017
	2000		\$21.54	5/23/2018
	2000		\$17.09	2/20/2019
	1600		\$19.20	8/19/2020
	1600		\$25.10	8/26/2021
	1600		\$25.18	6/1/2022
		1600	\$27.22	8/23/2023
Carl Helmetag	1400		\$18.29	2/21/2017
	1400		\$21.54	5/23/2018
	1400		\$17.09	2/20/2019
	1600		\$19.20	8/19/2020
	1600		\$25.10	8/26/2021
	1600		\$25.18	6/1/2022
		1600	\$27.22	8/23/2023
Barry Pinsley	1400		\$17.80	5/19/2016
	1400		\$18.29	2/21/2017
	1400		\$21.54	5/23/2018
	1400		\$17.09	2/20/2019
	1600		\$19.20	8/19/2020
	1600		\$25.10	8/26/2021
	1600		\$25.18	6/1/2022
		1600	\$27.22	8/23/2023
Howard Pinsley	4000		\$21.54	5/23/2018
	1600		\$19.20	8/19/2020
	1600		\$25.10	8/26/2021
	1600		\$25.18	6/1/2022
		1600	\$27.22	8/23/2023
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
	1400		\$17.09	2/20/2019
	1600		\$19.20	8/19/2020
	1600		\$25.10	8/26/2021
1600		\$25.18	6/1/2022	

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	1600	\$27.22	8/23/2023
Michael Wool	1600	\$18.29	2/21/2017
	1600	\$21.54	5/23/2018
	1600	\$19.20	8/19/2020
	1600	\$25.10	8/26/2021
	1600	\$25.18	6/1/2022
	1600	\$27.22	8/23/2023

(a) Unexercisable options vest as follows: (i) Options with an expiration date of August 23, 2023 vest on August 23, 2015.

**COMPENSATION OF EXECUTIVE OFFICERS**

The following table summarizes the annual compensation for each of the fiscal years ended June 30, 2014 and June 30, 2013 received by the Company's two most highly compensated executive officers who received over \$100,000 in total compensation for the fiscal year ended June 30, 2014 (collectively, the "Named Executive Officers"):

**SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary \$</b>	<b>Bonus \$</b>	<b>Option (1) Awards \$</b>	<b>All Other (2) Compensation \$</b>	<b>Total \$</b>
Mark St. Pierre (3) <i>President and Chief Executive Officer</i>	2014	\$233,969	\$100,000	\$12,527	\$36,542	\$383,038
	2013	\$228,102	\$100,000	\$15,018	\$21,145	\$364,265
David O'Neil (3) <i>Interim President and Chief Executive Officer/CFO/Treasurer</i>	2014	\$159,205	\$40,000	\$6,264	\$16,817	\$222,286
	2013	\$150,432	\$37,500	\$7,509	\$19,477	\$214,918

Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year (1) ended June 30, 2014 in accordance with ASC Topic 718. For information concerning the assumptions made in the valuation of awards, see Note 11 of the Company's financial statements for fiscal year ended June 30, 2014.

All other compensation for fiscal years 2014 and 2013 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.

(2) 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. In the case of Mark St. Pierre, all other compensation for fiscal year 2014 also includes \$34,242, representing compensation arising from the exercise of stock options and immediate sale of the underlying securities.

Mark St. Pierre resigned as President and Chief Executive Officer and director of the Company on June 27, 2014.

(3) David O'Neil is serving as Interim President and Chief Executive Officer pending the Board of Directors completion of the process to identify a permanent successor to Mr. St. Pierre.

<b>Name</b>	<b>Year</b>	<b>Value of allocated vested shares in Company ESOP (\$)</b>	<b>Company Contributions to 401(k) Plan (\$)</b>	<b>Total</b>
Mark St. Pierre	2014	\$0	\$2,300	\$2,300
	2013	\$18,872	\$2,273	\$21,145
David O'Neil	2014	\$15,067	\$1,750	\$16,817
	2013	\$17,727	\$1,750	\$19,477



**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 June, 30 2014:

<b>Name</b>	<b>Number of Securities Underlying Exercisable Options #</b>	<b>Number of Securities Underlying Unexercisable Options # (a)</b>	<b>Option Exercise Price \$</b>	<b>Option Expiration Date</b>
Mark St. Pierre	4000		\$25.10	8/26/21
	4000		\$25.18	6/1/22
David O'Neil	1600		\$17.36	10/13/15
	2000		\$17.80	5/19/16
	2000		\$18.29	2/21/17
	2000		\$21.54	5/23/18
	2000		\$17.09	2/20/19
	2000		\$19.20	8/19/20
	2000		\$25.10	8/26/21
	2000		\$25.18	6/01/22
		2000	\$27.22	8/23/23

(a) Unexercisable options vest as follows: (i) Options with an expiration date of August 23, 2023 vest on August 23, 2015.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following table sets forth information as of June 30, 2014 with respect to compensation plans under which equity securities of the Company may be issued:

**Equity Compensation Plan Information**

Number of securities to be issued upon exercise of outstanding options,	Weighted-average exercise price of outstanding options,	Number of Securities remaining available for future issuance under equity compensation plan (excluding
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<u>Plan Category</u>	<u>warrants and rights</u> <u>(a)</u>	<u>warrants and rights</u> <u>(b)</u>	<u>securities reflected in column (a)</u> <u>(c)</u>
Equity compensation plans approved by security holders	161,555	\$22.43	226,925
Equity compensation plans not approved by security holders	<u>-0-</u> 161,555		<u>-0-</u> 226,925

## 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 officers 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 472,192 shares of common stock of the Company allocated to participants of the ESOP as of June 30, 2014, 2,423 shares were allocated to Mark St. Pierre, and 12,282 shares were allocated to David O'Neil.

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**

The Company has an Executive Employment agreement with David O'Neil, Interim President and Chief Executive Officer and Chief Financial Officer. The agreement was effective March 1, 2013 and expires June 30, 2015, but will automatically renew for additional one year periods unless either the Company or the employee gives at least 60 days' notice to the contrary. The agreement provides for the payment of base compensation and bonus compensation as determined by the Board in its discretion. If the employee is terminated without "cause" or incidental to a change of control or if the employee terminates employment for "good reason" the employee is entitled to nine months severance pay of the employee's then current base salary plus health benefits. Prior to the termination of his employment, Mr. St. Pierre had an Executive Employment agreement comparable to the agreement with Mr. O'Neil, except as to base salary. Mr. St. Pierre is currently receiving severance pay pursuant to his agreement.

Mr. St. Pierre's bonus compensation for the fiscal year ended June 30, 2013 was determined under the terms of a bonus plan implemented by the Board of Directors for him. A requirement of the plan was that Mr. St. Pierre had to be employed by the Company on December 31 to be eligible to receive the performance bonus for the fiscal year ended June 30 prior thereto. The performance bonus for the fiscal year ended June 30, 2013 was determined by the Board based upon the sum of three components. Component A was purely discretionary and, if Mr. St. Pierre's performance was determined to have been acceptable to warrant a bonus for the fiscal year ended June 30, 2013, it would be a maximum amount of \$75,000. Component B was calculated based upon the percentage increase in the Company's earnings over the prior fiscal year to a maximum amount of \$100,000. Component C was calculated based upon an



increase in sales and an increase in backlog from the end of the prior fiscal year to a maximum amount of \$100,000. Mr. St. Pierre is not eligible for bonus compensation in respect of the fiscal year ended June 30, 2014.

## **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 November 30, 2012. The Audit Committee Charter is available on the Company's website at [www.espey.com](http://www.espey.com) under the tab "Investors".

In fulfilling its responsibilities, the Committee has reviewed and discussed the Company's audited consolidated financial statements for the fiscal year ended June 30, 2014 with management and the independent auditors.

The Committee has discussed with the independent auditors the matters required to be discussed by PCAOB Audit Standard No. 16 (Communication with Audit Committees). In addition, the Committee has received and reviewed the written disclosures and the letter from the independent auditors required by PCAOB Rule 3526 Communication with Audit Committees Concerning Independence (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 financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

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 written charter. A copy of the charter is available on the Company's website, [www.espey.com](http://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. In addition to industry experience, the Nominating Committee will consider the following skill sets and experience; corporate management experience, financial acumen, experience in international sales, mergers and acquisition experience and corporate governance experience. 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 candidates as it does for those proposed by other Board members, management and search companies.

The Nominating Committee's evaluation of existing Board members and prospective new Board members and the implementation of a diversity policy will be in the context of determinations made regarding the size of the Board of Directors. The Company is a small business with less than \$40 million in sales and operations at only one location. Due to the size of the business and the relatively simple corporate structure, the Board of Directors has determined not to increase its size. If a determination is made to add Board members, diversity is a factor that will be considered by the Nominating Committee.

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 more than 180 days and 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. In the case of an Annual Meeting that is called for a date that is not within 30 calendar days before or after the first anniversary date of the Annual Meeting of Shareholders in the immediately preceding year, any such written proposal of nomination must be received by the Secretary not less than five days after the Corporation shall have issued a press release, filed a periodic report with the Securities and Exchange Commission or otherwise publicly disseminated notice that an Annual Meeting of Shareholders will be held. The letter must identify its writer as a shareholder of the Company, provide evidence of the

writer's stock ownership and provide:

- The name, address, telephone number and social security number of the candidate to be considered;
- 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;

- The candidate's resume and at least three references;

- 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 NYSE MKT and the definition of "independent director" in the Company's By-Laws.

## **COMPENSATION COMMITTEE**

The Compensation Committee of the Board of Directors (the "Committee") is comprised of three independent directors and operates under a written charter, adopted on February 20, 2009. A copy of the charter is available on the Company's website, [www.espey.com](http://www.espey.com), under the tab "Investors".

The objectives of the compensation program are designed to align performance with the interests of shareholders, reward performance, retain and recruit qualified and effective talent.

The Committee will consult with senior management to establish, review and evaluate the long-term strategy of executive compensation and the types of stock and other compensation plans utilized by the Company. The Committee will also assist the Board in the establishment of annual goals and objectives for the Company's Chief Executive Officer, as well as consulting with the Chief Executive Officer to establish goals and objectives for other members of senior management. The Committee will assist the Board in establishing plans for executive officer development. The Committee has not engaged a compensation consultant in connection with the discharge of its responsibilities.

The Committee is responsible for recommending to the Board all 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 and Restricted Stock Plan be delegated to the Committee, but rather that the Committee serve in an advisory capacity. The Committee will also consult with the Chief Executive Officer for senior management grants and awards.

The Committee will review compensation paid to non-employee directors and make recommendations to the Board for any adjustments.

The Committee will review and approve, in consultation with the Chief Executive Officer, any severance or similar termination payments proposed to be made to any current or former executive officer of the Corporation (other than the current Chief Executive Officer), and review and recommend to the Board any severance or similar termination payments proposed to be made to the current Chief Executive Officer.

## **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 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.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information regarding ownership of the Company's outstanding Common Stock as of October 10, 2014, 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:

<b><u>Title Class</u></b>	<b><u>Name and Address of Beneficial Owner</u></b>	<b><u>Amount and Nature of Beneficial Ownership of Class</u></b>	<b><u>Percent</u></b>
Common Stock	Wellington Trust Company National Association Multiple Common Trust Funds Trust Micro Cap Equity Portfolio c/o Wellington Trust Company 280 Congress Street Boston, MA 02210	159,883 - Direct (1)	6.79%

(1) The information is from a schedule 13G dated April 10, 2014 filed with the SEC by Wellington Trust Company NA on behalf of the identified persons.

**SECURITY OWNERSHIP OF MANAGEMENT**

The following information is furnished as of October 10, 2014 (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:

<b>Title Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership of Class</b>	<b>Percent</b>
Common Stock	Paul Corr	21,239 - Direct (1)	*
Common Stock	Carl Helmetag	26,504 - Direct (1)	1.1%
Common Stock	Peggy Murphy	11,400 - Direct (1) 11,506 - Indirect (2)	*
Common Stock	David O'Neil	25,200 - Direct (1) 12,282 - Indirect (2)	1.5%
Common Stock	Barry Pinsley	63,362 - Direct (1)	2.6%
Common Stock	Howard Pinsley	78,813 - Direct (1) 35,046 - Indirect (2)	4.8%
Common Stock	Alvin Sabo	20,200 - Direct (1)	*
Common Stock	Katrina Sparano	8,945 - Direct (1) 3,603 - Indirect (2)	*
Common Stock	Michael Wool	18,700 - Direct (1)	*
	Officers and Directors as a Group (9 persons)	274,363 - Direct (1) 62,437 - Indirect (2)	13.1%

\* 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 Name of Beneficial Owner		Exercisable Options
	Options	Beneficial Owner	
Paul Corr	11,800	Howard Pinsley	8,800
Carl Helmetag	9,000	Alvin Sabo	12,200
Peggy Murphy	11,400	Katrina Sparano	8,600
David O'Neil	15,600	Michael Wool	8,000
Barry Pinsley	10,400		

- 2) Includes shares allocated to named officer as of June 30, 2014, as a participant in the Company's ESOP and may reflect dispositions that have occurred since the date of the person's last ownership report on Form 4. 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.

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.

## **CODE OF ETHICS**

The Company has adopted a Code of Ethics which is available on the Company's website at [www.espey.com](http://www.espey.com) under the tab "Investors".

## **INDEPENDENT PUBLIC ACCOUNTANTS**

The Audit Committee has not selected the Company's independent public accountants for the fiscal year ending June 30, 2015. On September 29, 2014 the Company reported that it had been notified by EFP Rotenberg, LLP ("EFPR"), the firm which audited the Company's financial statements for the year ending June 30, 2014 and prior years, that it would not serve as the Company's independent accounting firm for the Company's fiscal year 2015. The Company understands the basis for such decision is that EFPR had made a strategic decision to serve public companies in roles other than as independent auditor.

The Audit Committee is in the process of evaluating responses to requests for proposals from various independent registered accounting firms and expects to have a new firm in place during the Company's fiscal quarter ending December 31, 2014.

The Audit Committee had previously been advised by EFPR that neither the firm nor any of its partners 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 EFPR 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 Company's Audit Committee had policies and procedures for pre-approving all audit and non-audit work performed by EFPR for the fiscal year ended June 30, 2014, and 2013 respectively and all services to be performed by the successor to EFPR will be pre-approved. Pre-approval includes audit services, audit-related services, tax services and other services.



## Edgar Filing: ESPEY MFG & ELECTRONICS CORP - Form DEF 14A

The aggregate fees billed for professional services by EFPR in the fiscal years ended June 30, 2014, and 2013, respectively, for these various services were:

TYPE OF FEES	2014	2013
	Amount Billed	Amount Billed
(1) Audit Fees	\$ 79,500	\$ 84,000
(2) Audit Related Fees	None	None
(3) Tax Fees	\$ 10,500	\$ 10,000
(4) All Other Fees	<u>None</u>	<u>None</u>
Total	\$ 90,000	\$ 94,000

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-K and review of financial statements included in Form 10-Qs, 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.

### **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, 2014.

## ANNUAL REPORTS

The Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2014, 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-K (including financial statements and schedules thereto) for the fiscal year ended June 30, 2014, 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-K for the fiscal year ended June 30, 2014 can also be viewed electronically through a link at the Company's website at [www.espey.com](http://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 2015 Annual Meeting must be received by the Company at its Principal Executive Office no later than June 17, 2015, if it is to be included in the Company's 2015 proxy statement and proxy form. In addition, the Company's By-Laws outline procedures that a shareholder must follow to nominate directors or to bring other business before an Annual Meeting of Shareholders. Except as required under the Business Corporation Law of New York, shareholder proposals will not be considered at special 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,

David O'Neil

*Interim President and Chief Executive Officer*

October 15, 2014

Saratoga Springs, New York



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

PROXY FOR THE 2014 ANNUAL MEETING OF SHAREHOLDERS December 5, 2014 The undersigned hereby appoints Alvin 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 2014 Annual Meeting of Shareholders to be held on December 5, 2014 or any adjournment thereof. Mark here for address change.

IMPORTANT ANNUAL MEETING INFORMATION IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON DECEMBER 5, 2014. THE PROXY STATEMENT AND THE ANNUAL REPORT ARE AVAILABLE AT:

<http://www.cfproxy.com/2886>

FOLD HERE – PLEASE DO NOT DETACH – PLEASE ACT PROMPTLY PLEASE COMPLETE, DATE, SIGN, AND MAIL THIS PROXY CARD IN THE ENCLOSED POSTAGE–PAID ENVELOPE

PLEASE MARK VOTES AS IN THIS EXAMPLE

1. TO ELECT: two Class C Directors Paul Corr and Michael W. Wool to serve for a three year term expiring at the 2017 annual meeting or until his successor is duly elected and qualifies. PAUL CORR . FOR . WITHHOLD AUTHORITY MICHAEL W. WOOL . FOR . WITHHOLD AUTHORITY The Board of Directors recommends a vote FOR these nominees. No other business may be transacted at the meeting. Co–holder (if any) sign above

Please be sure to date and sign this proxy card in the box below. Date

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN C THE MANNER DIRECTED HEREIN BY THE ABOVE SIGNED SHAREHOLDER. O IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSAL 1. M Please sign exactly as name appears hereon. When shares are M held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as O such. If a corporation, please sign in full corporation name by President or other authorized officer. If a partnership, please sign N in partnership name by authorized person.

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