

ESPEY MFG & ELECTRONICS CORP  
Form 10-Q  
February 11, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended December 31, 2009  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number I-4383

ESPEY MFG. & ELECTRONICS CORP.  
(Exact name of registrant as specified in its charter)

NEW YORK  
(State of incorporation)

14-1387171  
(I.R.S. Employer's Identification No.)

233 Ballston Avenue, Saratoga Springs, New York 12866  
(Address of principal executive offices)

Registrant's telephone number, including area code 518-584-4100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

- Large accelerated filer
- Accelerated filer
- Non-accelerated filer
- Smaller reporting company

Indicate by check mark whether the registrant is a shell company.  Yes  No

At February 10, 2010, there were 2,316,576 shares outstanding of the registrant's Common stock, \$.33-1/3 par value.



ESPEY MFG. & ELECTRONICS CORP.  
 Quarterly Report on Form 10-Q  
 I N D E X

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## PART I: FINANCIAL INFORMATION

## ESPEY MFG. &amp; ELECTRONICS CORP.

## Balance Sheets

December 31, 2009 (Unaudited) and June 30, 2009

	2009 December 31,	2009 June 30,
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 2,194,735	\$2,775,319
Short term investments	7,306,541	6,349,874
Trade accounts receivable, net	2,854,751	5,133,792
Income tax receivable	280,669	--
Other receivables	15	297
ESOP receivable due to dividends on unallocated shares	163,726	71,053
Inventories:		
Raw materials	1,298,947	1,394,441
Work-in-process	1,184,996	1,107,880
Costs relating to contracts in process, net of advance payments of \$1,256 at December 31, 2009 and \$60,079 at June 30, 2009	10,226,425	10,526,884
Total inventories	12,710,368	13,029,205
Deferred income taxes	224,943	224,835
Prepaid expenses and other current assets	96,064	233,072
Total current assets	25,831,812	27,817,447
Property, plant and equipment, net	2,798,326	2,738,222
Loan receivable	29,722	38,673
Total assets	\$ 28,659,860	\$30,594,342

See accompanying notes to the financial statements.

(Continued)

ESPEY MFG. & ELECTRONICS CORP.  
Balance Sheets  
December 31, 2009 (Unaudited) and June 30, 2009

	2009 December 31,	2009 June 30,
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>		
Accounts payable	\$ 976,197	\$999,521
Accrued expenses:		
Salaries, wages and commissions	156,298	219,533
Vacation	494,951	520,072
Other	63,633	42,863
Payroll and other taxes withheld and accrued	53,877	42,075
Income taxes payable	--	266,891
Total current liabilities	1,744,956	2,090,955
Deferred income taxes	84,759	99,253
Total liabilities	1,829,715	2,190,208
Common stock, par value \$.33-1/3 per share.		
Authorized 10,000,000 shares; issued 3,029,874 shares on December 31, 2009 and June 30, 2009. Outstanding 2,316,576 and 2,314,803 (includes 190,416 and 201,666 Unearned ESOP Shares on December 31, 2009 and June 30, 2009, respectively)		
	1,009,958	1,009,958
Capital in excess of par value	14,013,454	13,755,808
Retained earnings	21,897,585	23,485,675
	36,920,997	38,251,441
Less: Unearned ESOP shares	(2,914,077 )	(2,914,077 )
Treasury shares, cost of 713,298 shares on December 31, 2009 and 715,071 shares on June 30, 2009	(7,176,775 )	(6,933,230 )
Total stockholders' equity	26,830,145	28,404,134
Total liabilities and stockholders' equity	\$ 28,659,860	\$30,594,342

See accompanying notes to the financial statements.



ESPEY MFG. & ELECTRONICS CORP.  
 Statements of Income (Unaudited)  
 Three and Six Months Ended December 31, 2009 and 2008

	Three Months		Six Months	
	2009	2008	2009	2008
Net sales	\$5,866,331	\$6,194,177	\$12,741,271	\$12,247,696
Cost of sales	4,404,238	5,568,247	9,220,976	10,470,491
Gross profit	1,462,093	625,930	3,520,295	1,777,205
Selling, general and administrative expenses	796,749	789,585	1,549,135	1,467,812
Operating income (loss)	665,344	(163,655 )	1,971,160	309,393
Other income				
Interest and dividend income	26,025	92,969	68,664	195,884
Other	9,983	4,672	18,085	15,913
	36,008	97,641	86,749	211,797
Income (loss) before income taxes	701,352	(66,014 )	2,057,909	521,190
Provision (benefit) for income taxes	187,181	(23,602 )	550,975	165,306
Net income (loss)	\$514,171	\$(42,412 )	\$1,506,934	\$355,884
Net income (loss) per share:				
Basic	\$0.24	\$( .02 )	\$.71	\$.17
Diluted	\$0.24	\$( .02 )	\$.71	\$.17
Weighted average number of shares outstanding:				
Basic	2,138,416	2,107,257	2,127,700	2,104,782
Diluted	2,149,831	2,114,363	2,134,339	2,115,201
Dividends per share:	\$1.2250	\$1.7250	\$1.4500	\$1.9500

See accompanying notes to the financial statements.





ESPEY MFG. & ELECTRONICS CORP.  
 Statements of Cash Flows (Unaudited)  
 Six Months Ended December 31, 2009 and 2008

	December 31,	
	2009	2008
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 1,506,934	\$ 355,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Excess tax benefits from share-based compensation	3,138	30,245
Stock-based compensation	50,856	58,166
Depreciation		