

POWELL INDUSTRIES INC

Form DEF 14A

January 10, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. \_\_\_\_\_)

Filed by the Registrant

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 §240.14a-12

**Powell Industries, Inc.**

(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:

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- o Fee paid previously with preliminary materials.
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**POWELL INDUSTRIES, INC.  
8550 Mosley Drive  
Houston, Texas 77075**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
to be held February 23, 2011**

To the Stockholders of Powell Industries, Inc.:

Notice is hereby given that the Annual Meeting of the Stockholders of Powell Industries, Inc., a Delaware corporation (the Company), will be held at the offices of the Company at 8550 Mosley Drive, in Houston, Texas on Wednesday, February 23, 2011 at 11:00 a.m., Houston time, for the following purposes:

1. To elect three (3) members of the Company's Board of Directors, with terms to expire in 2014;
2. To hold a stockholder advisory vote on the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement (say-on-pay);
3. To hold a vote on whether the Company will conduct future say-on-pay votes every year, every two years or every three years; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The stock transfer books will not be closed. Stockholders of record as of the close of business on January 3, 2011 are entitled to notice of, and to vote at, the Annual Meeting or any adjournment thereof, notwithstanding any transfer of stock on the books of the Company after such record date.

You are cordially invited to attend the meeting in person. YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND TO RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.

By Order of the Board of Directors

/s/ THOMAS W. POWELL

Thomas W. Powell  
*Chairman of the Board*

Houston, Texas  
January 10, 2011

**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to  
be Held on February 23, 2011**

**This Notice, Proxy Statement, Form of Proxy And Annual Report Are Available At:  
<http://investor.shareholder.com/powell/annual-proxy.cfm>**

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**POWELL INDUSTRIES, INC.  
8550 Mosley Drive  
Houston, Texas 77075**

**PROXY STATEMENT  
January 10, 2011**

**Annual Meeting of Stockholders  
February 23, 2011**

**SOLICITATION AND VOTING RIGHTS**

The accompanying proxy is solicited by the Board of Directors of Powell Industries, Inc., a Delaware corporation (the Company), for use at the Annual Meeting of Stockholders of the Company to be held on Wednesday, February 23, 2011 at 11:00 a.m., Houston time, at the principal executive offices of the Company at 8550 Mosley Drive, in Houston, Texas 77075, or at any adjournment thereof.

This Proxy Statement, proxy and the accompanying Notice of Annual Meeting, Annual Report to Stockholders and Form 10-K for year ended September 30, 2010, including consolidated financial statements, will be mailed to stockholders on or about January 10, 2011. The Board of Directors of the Company has fixed January 3, 2011, as the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting. As of January 3, 2011, there were 11,717,144 shares of the Company's Common Stock, par value \$.01 per share (Common Stock), outstanding. Each holder of Common Stock will be entitled to one vote for each share owned, except as noted below.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock of the Company is necessary to constitute a quorum at the meeting. Brokers holding shares of record for their customers generally are not entitled to vote on certain matters unless they receive voting instructions from their customers. When brokers complete proxy forms, they generally vote on those matters as to which they are entitled to vote. On those matters as to which brokers are not entitled to vote without instructions from their customers and have not received such instructions, brokers generally indicate on their proxies that they lack voting authority as to those matters. As to those matters, such indications are called broker non-votes.

The vote of a plurality of the shares entitled to vote and represented at a meeting at which a quorum is present is required for the election of directors and the proposal on the frequency of say-on-pay votes. The persons receiving the greatest number of votes cast at the meeting to fill the directorships with terms to expire in 2014 will be elected as directors of the Company, class of 2014, and the frequency of say-on-pay votes (whether every year, two years or three years) receiving the greatest number of votes cast at the meeting will prevail. Thus, abstentions and broker non-votes will have no effect on the election of directors or the vote on the frequency of say-on-pay votes. As to the say-on-pay proposal itself, the vote of a majority of the shares entitled to vote and represented at a meeting at which a quorum is present is required. As to any other matters which may come before the meeting, broker non-votes will have the effect of negative votes as to any such other matters for which the broker is entitled to vote and no effect on those matters for which the broker is not entitled to vote. The holders of shares represented by proxies reflecting abstentions or broker non-votes will not be considered present at the meeting and thus will not count toward a quorum.

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The shares represented by each valid proxy received by the Company on the form solicited by the Board of Directors will be voted in accordance with instructions specified on the proxy. A stockholder giving a duly executed proxy may revoke it before it is exercised by filing with or transmitting to the Secretary of the Company an instrument or transmission revoking it, or a duly executed proxy bearing a later date.

In addition to the solicitation of proxies by use of this Proxy Statement, directors, officers and employees of the Company may solicit the return of proxies by mail, personal interview, telephone or the Internet. Officers and employees of the Company will not receive additional compensation for their solicitation efforts, but they will be reimbursed for any out-of-pocket expenses incurred. Brokerage houses and other custodians, nominees and fiduciaries will be requested, in connection with the stock registered in their names, to forward solicitation materials to the beneficial owners of such stock.

All costs of preparing, printing, assembling and mailing the Notice of Annual Meeting of Stockholders, this Proxy Statement, the enclosed form of proxy and any additional materials, as well as the cost of forwarding solicitation materials to the beneficial owners of stock and all other costs of solicitation, will be borne by the Company.

**Delivery of One Proxy Statement and Annual Report to a Single Household to Reduce Duplicate Mailings**

Each year in connection with the annual meeting of stockholders, the Company is required to send to each stockholder of record a proxy statement and annual report, and to arrange for a proxy statement and annual report to be sent to each beneficial stockholder whose shares are held by or in the name of a broker, bank, trust or other nominee. Because some stockholders hold shares of Common Stock in multiple accounts, this process results in duplicate mailings of proxy statements and annual reports to stockholders who share the same address. Stockholders may avoid receiving duplicate mailings and save the Company the cost of producing and mailing duplicate documents as follows:

***Stockholders of Record.*** If your shares are registered in your own name and you are interested in consenting to the delivery of a single proxy statement or annual report, you may contact the Company by mail at 8550 Mosley Drive, Houston, Texas 77075 or by telephone at (713) 947-4422.

***Beneficial Stockholders.*** If your shares are not registered in your own name, your broker, bank, trust or other nominee that holds your shares may have asked you to consent to the delivery of a single proxy statement or annual report if there are other stockholders of the Company who share an address with you. If you currently receive more than one proxy statement or annual report at your household, and would like to receive only one copy of each in the future, you should contact your nominee.

***Right to Request Separate Copies.*** If you consent to the delivery of a single proxy statement and annual report but later decide that you would prefer to receive a separate copy of the proxy statement or annual report, as applicable, for each stockholder sharing your address, then please notify the Company or your nominee, as applicable, and the Company or they will promptly deliver such additional proxy statements or annual reports. If you wish to receive a separate copy of the proxy statement or annual report for each stockholder sharing your address in the future, you may contact the Company by mail at 8550 Mosley Drive, Houston, Texas 77075 or by telephone at (713) 947-4422.



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**PROPOSAL NO. 1  
ELECTION OF DIRECTORS**

The terms of three directors are scheduled to expire at the 2011 Annual Meeting or until their successors are duly elected and qualified under the Company's bylaws. The terms of the remaining directors continue after the Annual Meeting. The Nominating and Governance Committee has nominated Eugene L. Butler, Christopher E. Cragg and Bonnie V. Hancock for election as directors with terms scheduled to expire in fiscal 2014 or until their successors are duly elected and qualified. Ms. Hancock and Messrs. Butler and Cragg currently serve as directors of the Company with terms scheduled to expire in 2011 or until their successors are duly elected and qualified. Ronald J. Wolny also has a term scheduled to expire at the 2011 Annual Meeting but is not standing for reelection as a result of the director tenure guidelines previously adopted by the Board and as further described under Corporate Governance-Nomination Process below. Although the Board of Directors does not contemplate that any nominee will be unable to serve, if such a situation arises prior to the Annual Meeting, the persons named in the enclosed form of proxy will vote in accordance with their best judgment for a substitute nominee.

**PROPOSAL NO. 2  
ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION**

The Board of Directors is providing the stockholders with the opportunity to endorse or not endorse the Company's executive compensation (commonly known as say-on-pay) through consideration of the following non-binding advisory resolution:

Resolved, that the stockholders approve the compensation of executives, as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the compensation discussion and analysis, the compensation tables and any related material disclosed in this proxy statement.

Because your vote is advisory, it will not be binding on the Board. However, the Compensation Committee will consider the outcome of the vote when making decisions regarding future executive compensation arrangements.

**RECOMMENDATION OF THE BOARD**

The Board of Directors recommends a vote **FOR** the advisory approval of the Company's executive compensation. Unless otherwise indicated on your proxy, your shares will be voted **FOR** the advisory approval of the Company's executive compensation.

**PROPOSAL NO. 3  
SELECTION OF FREQUENCY OF SAY-ON-PAY VOTES**

In connection with the say-on-pay approval vote under Proposal No. 2 above, the Company is also requesting that the stockholders select the frequency that such a vote will be solicited from the stockholders. Stockholders will have the option to select to have such a vote every year, every two years or every three years.

**RECOMMENDATION OF THE BOARD**

The Board of Directors recommends voting for the option to have a say-on-pay vote **ONCE EVERY THREE YEARS** with the understanding that the Board will consider the most recent prior advisory vote of the stockholders



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on say-on-pay when making decisions regarding future executive compensation arrangements no matter the frequency of such votes. Unless otherwise indicated on your proxy, your shares will be voted in approval of a say-on-pay vote to occur **ONCE EVERY THREE YEARS**.

**BOARD OF DIRECTORS**

The following table sets forth for each nominee and for each director whose term of office continues after the Annual Meeting, his name, age, principal occupation and employment for the past five years, offices held with the Company, the date he first became a director, and the date of expiration of his current term as director.

<b>Name</b>	<b>Age</b>	<b>Principal Occupation for Past Five Years<sup>(1)</sup></b>	<b>Offices Held With Company</b>	<b>Director Since</b>	<b>Term Expires</b>
Eugene L. Butler	69	Director and CFO, Deep Down, Inc. since June 2007; Managing Director, CapSource Financial from 2005 to 2007; Chairman of the Board, Intercoastal Terminal from 1991 to 2005	Director	1990	2011
Christopher E. Cragg	49	Senior Vice President Operations, Oil States International, Inc. since 2006; VP Tubular, 2001-2006; President, Sooner Pipe, 2003-2006; First VP, Petroleum Equipment Suppliers Assoc.	Director	2008	2011
Bonnie V. Hancock	49	Executive Director of the Enterprise Risk Management Initiative and Lecturer at the College of Management at North Carolina State University since 2005; President of Progress Fuels, a Progress Energy subsidiary from 2002 to 2005	Director <sup>(2)</sup>	2010	2011
James F. Clark	64	Vice President, Square D Corporation from 1989 until his retirement in December 2000	Director	2001	2012
Stephen W. Seale, Jr.	71	Consultant, Professional Engineer	Director	1985	2012
Robert C. Tranchon	70	President and CEO, Reveille Technology from 1995 until his retirement in 2009; President, Chief Executive Officer, and Director of Ansaldo Ross Hill from 1997 to 2000	Director	2000	2012

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<b>Name</b>	<b>Age</b>	<b>Principal Occupation for Past Five Years<sup>(1)</sup></b>	<b>Offices Held With Company</b>	<b>Director Since</b>	<b>Term Expires</b>
Thomas W. Powell	70	Chairman of the Board since 1984; President and Chief Executive Officer of the Company from 1984 through September 30, 2008	Director, Chairman of the Board <sup>(3)</sup>	1984	2013
Joseph L. Becherer	68	Senior Vice President, Eaton Corporation from September 1995 until his retirement in October 1997	Director	1997	2013
Patrick L. McDonald	57	President and Chief Executive Officer of the Company	Director, President and Chief Executive Officer of the Company <sup>(4)</sup>	2008	2013

(1) None of the corporations listed (other than the Company) is an affiliate of the Company.

(2) Ms. Hancock was appointed to the Board of Directors effective September 14, 2010.

(3) Mr. Powell also served as Chief Executive Officer of the Company until his retirement on September 30, 2008.

(4) Mr. McDonald served as President and Chief Operating Officer of the Company from February 23, 2007 until Mr. Powell's retirement on September 30, 2008, at which time Mr. McDonald succeeded Mr. Powell as President and Chief Executive Officer of the Company.

**Board Structure, Committee Composition and Meetings**

As of the date of this Proxy Statement, the Board of Directors ( Board ) was comprised of ten members, divided into three classes. However, the number will be set back to nine upon the retirement of Mr. Wolny effective at the commencement of the Annual Meeting.

The Board is comprised of a majority of independent directors. The Board has determined that Ms. Bonnie V. Hancock and Messrs. Joseph L. Becherer, Eugene L. Butler, James F. Clark, Christopher E. Cragg, Stephen W. Seale, Jr., and Robert C. Tranchon are Independent Directors as such term is defined by Listing Rule 5600(a)(2) of The NASDAQ Stock Market, and that the current members of the audit committee are also independent for purposes of Section 10A(m)(3) of the Securities Exchange Act of 1934, or the Exchange Act. The Board based its determinations of independence primarily on a review of the responses the directors provided to questions regarding employment and compensation history, affiliations and family and other relationships.

Four meetings of the Board were held during the year ended September 30, 2010. No incumbent director attended fewer than seventy-five percent (75%) of the aggregate of (1) the total number of meetings of the Board and (2) the total number of meetings held by all committees of the Board during the period that such director served.

It is the Company's policy that directors attend the Annual Meeting of Stockholders. At the Annual Meeting of Stockholders on February 26, 2010, all of the Company's directors at that date were present. Stockholders may

communicate with directors of the Company by writing to them at the Company's headquarters. Communications addressed to the Board of Directors will be reviewed by the Secretary of the Company and directed to the members of the Board for their consideration.

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**Committees, Memberships and Meetings**

The Board has a standing Audit Committee, Compensation Committee and Nominating and Governance Committee. The Board may also establish other committees from time to time as necessary to facilitate the management of the business and affairs of the Company and to comply with the corporate governance rules of The NASDAQ Stock Market.

**Audit Committee**

The Audit Committee assists the Board in overseeing matters relating to the Company's accounting and financial reporting practices, the adequacy of its internal controls and the quality and integrity of its financial statements. It is the Board's agent in overseeing the integrity of financial reports of the Company and its subsidiaries, and the adequacy of disclosures to stockholders. The Audit Committee is the focal point for communication between other directors, the Company's independent registered public accounting firm, internal auditors and management as their duties relate to financial accounting, reporting, and controls. The Audit Committee Charter does not permit the Audit Committee to delegate its authority. The Audit Committee held four meetings during the year ended September 30, 2010. All meetings of the Audit Committee were separate and apart from meetings of the full Board of Directors during fiscal 2010.

The Audit Committee is comprised of Eugene L. Butler, Christopher E. Cragg, Stephen W. Seale, Jr. and Robert C. Tranchon. The Board of Directors has determined that each of Messrs. Butler and Cragg qualify as an audit committee financial expert, as defined in Item 401(h) of Regulation S-K promulgated under the Exchange Act, and that each is an independent director. A copy of the Audit Committee Charter is available on the Company's web site, [www.powellind.com](http://www.powellind.com), under the section entitled "Investor Relations."

**Compensation Committee**

The Compensation Committee provides oversight on behalf of the full Board on development and administration of the Company's executive compensation program and each benefit plan in which officers and directors are eligible to participate. The Compensation Committee regularly reviews the Company's compensation practices, including the methodologies for setting the total compensation for senior management and officers. The Compensation Committee makes recommendations for compensation paid to the Chief Executive Officer and for director compensation. The Compensation Committee also strives to make the Company's compensation competitive by comparing the Company's practices and compensation levels against the results of surveys of related-industry companies. The Compensation Committee has the flexibility to exercise its independent judgment when establishing compensation policies, especially when rewarding individual performance.

The Compensation Committee has the authority to directly engage independent consultants. On a regular basis, consultants have been used to provide advice and ongoing recommendations regarding executive compensation. In 2009 and 2010, the Compensation Committee retained Hewitt Associates LLC (Hewitt) to provide market information and analyses regarding named executive officers' total compensation including base salary, short-term incentive compensation and long-term incentive compensation. The Hewitt analysis and report also included director compensation.

The Compensation Committee is comprised of Joseph L. Becherer, Christopher E. Cragg, Ronald J. Wolny and Stephen W. Seale, Jr. The Compensation Committee, held five meetings during the year ended September 30, 2010. The Compensation Committee also performs an annual self evaluation and the most recent evaluation determined



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that the Committee met all expectations of the Compensation Committee Charter. A copy of the Compensation Committee Charter is available on the Company's web site, [www.powellind.com](http://www.powellind.com), under the section entitled "Investor Relations".

**Nominating and Governance Committee**

The Nominating and Governance Committee proposes a slate of directors for election by the Company's stockholders at each annual meeting and recommends candidates for appointment to the Board to fill any vacancy on the Board. The Nominating and Governance Committee is also responsible for establishing director qualifications and the selection criteria for new directors. The Nominating and Governance Committee recommends to the Board a slate of directors to serve on each standing committee of the Board and recommends one member of each standing committee to serve as chairman of the committee. The Nominating and Governance Committee is also responsible to review and monitor the adherence to the Corporate Governance Guidelines adopted by the Board.

The Nominating and Governance Committee is comprised of Eugene L. Butler, James F. Clark and Robert C. Tranchon. During the year ended September 30, 2010, the Committee held four meetings. In December 2010, the Nominating and Governance Committee met and discussed the current director candidates, and recommended to the Board the reelection of the three candidates nominated above. A copy of the Nominating and Governance Committee Charter is available on the Company's web site, [www.powellind.com](http://www.powellind.com), under the section entitled "Investor Relations".

**Director Compensation**

The Company uses a combination of cash and equity based compensation in the form of restricted stock to attract and retain qualified candidates to serve on the Board. In setting director compensation, the Company considers the significant amount of time that directors expend in fulfilling their duties to the Company as well as the skill level required by the Company of members of the Board. Only directors who are not employees of the Company or any of its subsidiaries or affiliates, are entitled to receive a fee, plus reimbursement of out-of-pocket expenses for their services as directors. Mr. McDonald, who is also our employee, does not receive any additional compensation for serving as a director. In 2009, the Compensation Committee utilized Hewitt for market data and analysis of director compensation as part of the Committee's annual review of director compensation.



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For fiscal 2010, compensation for non-employee directors was comprised of the following components:

		<b>Cash Compensation</b>	<b>Common Stock</b>
<b>Quarterly Retainer:</b>		\$ 2,500	
<b>Board Meeting Fees:</b>		\$ 2,000	
(For each meeting attended)			
<b>Committee Chairman Meeting Fees:</b>	Audit	\$ 2,500	
(For each meeting attended)	Compensation	\$ 1,250	
	Nominating and Governance	\$ 1,250	
<b>Committee Member Meeting Fees:</b>	Audit	\$ 1,200	
(For each meeting attended)	Compensation	\$ 800	
	Nominating and Governance	\$ 800	
<b>Annual Restricted Stock Award:</b>			2,000

In addition to the above, the Company reimburses expenses related to attendance of meetings to non-employee directors.

The stockholders voted at the March 16, 2002 meeting to approve the Non-Employee Director Stock Option Plan which superseded the 2000 Non-Employee Director Stock Option Plan adopted by the Board of Directors in 2000. The total number of shares of Common Stock reserved under the plan is 100,000 shares. The plan is administered by the Compensation Committee. The Compensation Committee plans to terminate the 2000 Non-Employee Director Stock Option Plan after all outstanding options granted under it have been exercised or have expired. The last stock options under this plan were issued in June 2004.

The stockholders voted at the April 15, 2005 meeting to approve the Non-Employee Director Restricted Stock Plan. The total number of shares of Common Stock reserved under the plan is 150,000 shares. The plan is administered by the Compensation Committee. Eligibility to participate in the plan is limited to those individuals who are members of the Board of the Company and who are not employees of the Company or any affiliate of the Company. In accordance with the terms of the Plan, each non-employee director receives 2,000 restricted shares of the Company's Common Stock annually in June. In June 2010, each non-employee director was issued 2,000 such shares in accordance with the Non-Employee Director Restricted Stock Plan.

**Table of Contents****DIRECTOR COMPENSATION FOR FISCAL 2010**

The table below summarizes the compensation paid by the Company to non-employee directors for the year ended September 30, 2010.

Name	Fees Earned or		All Other	Total (\$)
	Paid in Cash (\$)	Stock Awards (\$) <sup>(1)(2)(3)(4)</sup>	Compensation (\$) <sup>(5)(6)</sup>	
Joseph L. Becherer	21,200	57,900		79,100
Eugene L. Butler	31,200	57,900		89,100
James F. Clark	21,200	57,900		79,100
Christopher E. Cragg	26,000	61,338		87,338
Bonnie V. Hancock <sup>(7)</sup>	2,000	43,335		45,335
Thomas W. Powell	18,000	265,818	390,000	673,818
Stephen W. Seale, Jr.	26,000	57,900		83,900
Robert C. Tranchon	27,800	57,900		85,700
Ronald J. Wolny	24,250	57,900		82,150

- (1) The amounts in this column reflect the dollar amount recognized for financial statement reporting purposes for the fiscal year ended September 30, 2010, in accordance with FAS 123R of awards, including awards granted in years prior to September 30, 2010, pursuant to the Company's long-term incentive compensation plan. The grant date fair values of the stock awards granted are equivalent to the average of the high and low stock price on the date of grant at \$28.95 per share, except for the stock award granted to Ms. Hancock which was \$28.89 per share on the date of grant.
- (2) Except for the issuances referenced in footnote 3 below, all of the referenced stock awards relate to the annual issuance of 2,000 shares of restricted stock to each of our directors, which vest in two equal installments on the first and second anniversaries of the date of grant. Excepting grants to newly appointed directors, following any two years of service, each of our directors would hold 3,000 shares of unvested restricted stock (2,000 unvested shares from the most recent issuance and 1,000 unvested shares from the prior year's issuance).
- (3) In addition to the grant referenced in footnote 2 above, Mr. Cragg was granted a stock award of 121 shares of our common stock valued at \$3,438 which represents a pro rata portion of his award under our Non-Employee Director Restricted Stock Plan that should have been made upon his appointment in 2008.
- (4) In addition to the grant referenced in footnote 2 above, Mr. Powell was granted a stock award for 5,518 shares of our common stock valued at \$207,918 which represents a pro rata portion of his award under the Company's Long-Term Incentive Compensation Plan granted to him while serving as the Company's Chief Executive Officer. He resigned after serving one year of the three year measurement period.
- (5) Pursuant to a consulting agreement with Mr. Powell, Mr. Powell provided advice to and performed certain consulting services for the Company from October 1, 2008 to September 30, 2010. The Company paid Mr. Powell \$60,000 per quarter during the term of such Consulting Agreement.

- (6) Thomas W. Powell is also covered by the Company's Executive Benefit Plan. Pursuant to Mr. Powell's Executive Benefit Agreement executed under such Plan, following normal retirement after age 65 and having completed at least ten years of continuous employment, he is entitled to salary continuation payments of \$150,000 per year for five years and then \$75,000 per year for ten years. A key man insurance policy for

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\$1 million was purchased at the time this became effective, the ultimate proceeds of which are intended to offset a portion of the cost of this benefit.

(7) Ms. Hancock was appointed to the Board effective September 14, 2010.

**CORPORATE GOVERNANCE**

The Company has established Corporate Governance Guidelines, which may be found on the Governance page of the Company's website, [www.powellind.com](http://www.powellind.com). The Corporate Governance Guidelines include the definition of independence used by the Company to determine whether its directors and nominees for directors are independent, which are the same qualifications prescribed under the Marketplace Rules of The NASDAQ Stock Market. Pursuant to the Company's Corporate Governance Guidelines, the Company's non-management directors are required to meet in separate sessions without management on a regularly scheduled basis four times a year. Generally, these meetings occur as an executive session without the management director in attendance in conjunction with regularly scheduled meetings of the Board throughout the year. Because the Chairman of the Board was also formerly a member of management, the separate non-management sessions are presided over by an independent director elected by a majority of the non-management directors. If the non-management directors include directors who are not independent directors (as determined by the Board), because the Chairman of the Board is not an independent director, the independent directors' separate session is presided over by an independent director elected by a majority of the independent directors.

**Board Leadership Structure**

The Chairman of the Board is elected by the Board of Directors on an annual basis. Mr. Powell currently serves as Chairman. The Board has determined that Mr. Powell should continue to serve in the role of Chairman based on various factors. First, as the Company's long-time Chief Executive Officer and Chairman, Mr. Powell's leadership and vision for the Company ha