

POWELL INDUSTRIES INC
Form DEF 14A
January 08, 2014
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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):

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POWELL INDUSTRIES, INC.

8550 Mosley Road

Houston, Texas 77075

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held February 26, 2014

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 7232 Airport Boulevard, in Houston, Texas 77061 on Wednesday, February 26, 2014 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 2017;
2. To approve the Company's 2014 Equity Incentive Plan;
3. To approve the Company's 2014 Non-Employee Director Equity Incentive Plan;
4. To hold a stockholder advisory vote on the compensation of executives; and
5. 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, 2014 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 8, 2014

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**Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to
be Held on February 26, 2014**

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 Road

Houston, Texas 77075

PROXY STATEMENT

January 8, 2014

Annual Meeting of Stockholders

February 26, 2014

SOLICITATION AND VOTING RIGHTS

The accompanying proxy is solicited by the Board of Directors (the Board) 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 26, 2014 at 11:00 a.m., Houston time, at the offices of the Company at 7232 Airport Boulevard, in Houston, Texas 77061, or at any adjournment thereof.

This Proxy Statement, proxy and the accompanying Notice of Annual Meeting and Annual Report on Form 10-K for year ended September 30, 2013, including consolidated financial statements, will be mailed to stockholders on or about January 8, 2014. The Board of the Company has fixed January 3, 2014, as the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting. As of January 3, 2014, there were 11,994,712 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. The persons receiving the greatest number of votes cast at the meeting to fill the directorships with terms to expire in 2017 will be elected as directors of the Company, class of 2017. Thus, abstentions and broker non-votes will have no effect on the election of directors. The affirmative vote of a majority of the shares of Common Stock entitled to vote and represented in person or by proxy at a meeting at which a quorum is present is required to approve the Company's 2014 Equity Incentive Plan, the Company's 2014 Non-Employee Director Equity Incentive Plan and any other matters which may come before the meeting, and broker non-votes will have the effect of negative votes as to such matters for which the broker is entitled to vote and no effect on such matters for which the broker is not entitled to vote. The proposal related to the non-binding approval of executive compensation is advisory only and therefore does not require a particular number of affirmative votes. Although the advisory vote on executive compensation is non-binding, the compensation committee of the Board (the Compensation Committee) values the opinions of the Company's stockholders, and will consider the outcome of the vote when making future executive compensation arrangements.

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Shares of the Common Stock present or represented at the Annual Meeting that abstain from voting or that are the subject of broker non-votes will be counted as present for purposes of determining a quorum.

The shares represented by each valid proxy received by the Company on the form solicited by the Board 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 Road, 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 your nominee 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 Road, 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 2014 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 2017 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 at the 2014 Annual Meeting or until their successors are duly elected and qualified. Although the Board 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.

RECOMMENDATION OF THE BOARD

The Board recommends that the stockholders vote **FOR** the election of each of the nominees.

PROPOSAL NO. 2

APPROVAL OF THE 2014 EQUITY INCENTIVE PLAN

We are asking you to approve the Powell Industries, Inc. 2014 Equity Incentive Plan (the "2014 Plan"), which the Compensation Committee adopted on December 2, 2013. The 2014 Plan will only become effective if approved by the stockholders at the Annual Meeting. Upon stockholder approval of the 2014 Plan, no further awards will be made under the 1992 Powell Industries, Inc. Stock Option Plan or the Powell Industries, Inc. 2006 Equity Compensation Plan.

We are asking you to authorize 750,000 shares for future issuance under the 2014 Plan, which together with Proposal No. 3, will contribute to a potential dilution of approximately 7.5%. This potential dilution was calculated by adding (i) the total number of shares available for issuance under the 2014 Plan, (ii) the total number of shares available for issuance under the 2014 Non-Employee Director Equity Incentive Plan, and (iii) all unvested shares and unexercised stock options previously awarded and outstanding under the Company's prior equity incentive plans; divided by the total number of shares of outstanding common stock of the Company. The Company believes a potential dilution of 7.5% approximates the median dilution of other companies in our peer group. In considering this proposal, stockholders should also be aware that the average number of shares granted under all long-term incentive plans over the last three fiscal years, divided by the number of shares outstanding, is approximately 0.5%, a percentage the Company believes is below the average of our peer group. The Company anticipates that the requested number of shares for the 2014 Plan will be sufficient to meet the needs of our long-term incentive program for at least five years.

The purpose of the 2014 Plan is to promote the success of, and enhance the value of, the Company by linking the personal interests of employees and consultants to the stockholders. We believe that to be successful, our employees need to think like owners. Consistent with this philosophy, our equity program continues to be broad-based to provide us with a competitive advantage in our efforts to hire and retain top talent. In order to continue to make grants of equity in accordance with the compensation philosophy adopted by the Compensation Committee, the Compensation Committee and the Board have approved, and are asking you to approve, the 2014 Plan.

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The 2014 Plan is intended to comply with Section 162(m) of the Internal Revenue Code (the Code), as amended, which generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to certain of our executive officers unless such compensation is based on objective performance goals that are approved by the stockholders. To qualify under Section 162(m), the material terms under which the particular performance-based compensation is to be paid, including (1) the performance goals, (2) the group of employees whose compensation would be subject to the performance goals, and (3) the maximum amount payable to an executive officer, must be disclosed to, and approved by, the stockholders. Section 162(m) requires that the disclosure to the stockholders be specific enough for them to determine the maximum amount of compensation that could be payable to an employee under a performance goal during a specified period.

Material Terms of the 2014 Plan

Authorized Shares; Limits on Awards; Lapsed Awards. The maximum number of common shares that may be issued or transferred pursuant to awards under the 2014 Plan equals 750,000, all of which may be subject to incentive stock option treatment. Additionally, the maximum number of shares subject to stock options and stock appreciation rights that are granted during any calendar year to any individual under the 2014 Plan is 250,000 shares. The total number of shares that may be issued for awards to any single participant during a calendar year for other stock-based awards (excluding stock options and SARs) is 100,000 and for cash awards is \$2,500,000. If any outstanding award under the 2014 Plan expires, is terminated or is cancelled without having been exercised or settled in full, the shares of common stock subject to the expired, terminated or cancelled portion of the award shall be added to the maximum number of shares of common stock authorized under the 2014 Plan.

Eligibility. Persons eligible to receive awards under the 2014 Plan include our officers, employees and consultants. The Administrator determines from time to time the participants to whom awards will be granted.

Performance-Based Awards. The Compensation Committee of the Board may designate any award, the exercisability or settlement of which is subject to the achievement of performance conditions, as a performance-based award that is intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code. In order to qualify as performance-based compensation, the performance objective(s) used for the performance-based award must be from the list of performance objectives set forth in the 2014 Plan. The performance objectives set forth in the 2014 Plan are: net income; cash flow; cash flow on investment; pre-tax or post-tax profit levels or earnings; operating income or earnings; closings; return on investment; earned value added; expense reduction levels; free cash flow; free cash flow per share; earnings per share; net earnings per share; net earnings from continuing operations; sales growth; sales volume; economic profit; expense reduction; controlled expenses; return on assets; return on net assets; return on equity; return on capital; return on sales; return on invested capital; organic revenue; growth in managed assets; total shareholder return; stock price; stock price appreciation; EBITDA; adjusted EBITDA; return in excess of cost of capital; profit in excess of cost of capital; net operating profit after tax; operating margin; profit margin; adjusted revenue; revenue; net revenue; operating revenue; net cash provided by operating activities; net cash provided by operating activities per share; cash conversion percentage; new sales; net new sales; cancellations; gross margin; gross margin percentage; revenue before deferral; regulatory body approval for commercialization of a product; implementation or completion of critical projects; research; in-licensing; out-licensing; product development; government relations; compliance; mergers; and acquisitions or sales of assets or subsidiaries. The Compensation Committee may select any number of performance objectives from this list of performance objectives when

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establishing the performance measures of a performance-based award, but such objectives must be set no later than 90 days after the beginning of the applicable performance period. The 2014 Plan allows performance objectives to be described in terms of objectives that are related to an individual participant or objectives that are company-wide or related to a subsidiary, division, department, region, function or business unit and may be measured on an absolute or cumulative basis or on the basis of percentage of improvement over time, and may be measured in terms of company performance (or performance of the applicable subsidiary, division, department, region, function or business unit) or measured relative to selected peer companies or a market index.

Material Features of the 2014 Plan

The following summary of the principal terms of the 2014 Plan is qualified in its entirety by the full text of such 2014 Plan, which has been filed as an exhibit to this Proxy Statement that was filed electronically with the Securities and Exchange Commission and can be reviewed on the Securities and Exchange Commission's website at www.sec.gov. You may also obtain, free of charge, a copy of the 2014 Plan by writing to the Corporate Secretary at 8550 Mosley Drive, Houston, Texas 77075.

Purpose. The purpose of the 2014 Plan is to attract and retain employees and consultants by providing them with additional incentives, and to promote the success of the company's business.

Administration. The Board or one or more committees appointed by the Board will administer the 2014 Plan. For this purpose the Board has delegated general administrative authority for the 2014 Plan to the Compensation Committee. The Compensation Committee may delegate some or all of its authority with respect to the 2014 Plan to another committee of directors and may delegate certain limited award grant authority to one or more officers of the Company. (The appropriate acting body, be it the board of directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this summary as the Administrator.) The Administrator determines the number of shares that are subject to awards and the terms and conditions of such awards, including the price (if any) to be paid for the shares or the award. Along with other authority granted to the Administrator under the 2014 Plan, the Administrator may (i) determine fair market value, (ii) select recipients of awards, (iii) determine the number of shares subject to awards, (iv) approve form award agreements, (v) determine the terms and conditions of awards, (vi) amend outstanding awards, and (vii) allow participants to satisfy withholding tax obligations through a reduction of shares. The Administrator may not, however, effectuate a repricing or exchange of outstanding stock options without the approval of the stockholders of the Company.

Adjustments or Changes in Capitalization. In the event of any change in the outstanding shares of common stock by reason of a stock split, stock dividend or other non-recurring dividends or distributions, recapitalization, merger, consolidation, spin-off, combination, repurchase or exchange of stock, reorganization, liquidation, dissolution or other similar corporate transaction that affects our common stock, the aggregate number of shares of common stock available under the 2014 Plan or subject to outstanding awards (including the exercise price of any awards) will be adjusted as the Administrator deems necessary or appropriate. In addition the Administrator may adjust the terms and conditions of awards in recognition of unusual or nonrecurring events affecting us or in response to changes in applicable laws, regulations or accounting principles.

Incentive Awards. The 2014 Plan authorizes stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, performance-based awards, as well as other awards (described in the 2014 Plan) that are responsive to changing developments in management compensation. The 2014 Plan retains the flexibility to

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offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash. An option or SAR will expire, or other award will vest in accordance with the schedule set forth in the applicable award agreement.

Stock Option. A stock option is the right to purchase common shares at a future date at a specified price per share generally equal to, but not less than, the fair market value of a share on the date of grant. An option may either be an Incentive Stock Option (ISO) or a nonstatutory stock option (NSO). ISO benefits are taxed differently from NSOs, as described under Federal Income Tax Treatment of Awards under the 2014 Plan, below. ISOs also are subject to more restrictive terms and are limited in amount by the Code and the 2014 Plan. Full payment for shares purchased on the exercise of any option must be made at the time of such exercise in a manner approved by the Administrator.

SARs. A SAR is the right to receive payment of an amount equal to the excess of the fair market value of a common share on the date of exercise of the SAR over the base price of the SAR. The base price will be established by the Administrator at the time of grant of the SAR, but will not be less than the fair market value of a share of Common Stock on the date of grant. SARs may be granted in connection with other awards or independently.

Restricted Stock. A restricted stock award is typically for a fixed number of shares of Common Stock, subject to restrictions. The Administrator specifies the price, if any, the participant must pay for such shares and the restrictions (which may include, for example, continued service and/or performance standards) imposed on such shares. A stock bonus may be granted by the Administrator to any eligible person to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such shares) as determined from time to time by the Administrator. The number of shares so awarded shall be determined by the Administrator and may be granted independently or in lieu of a cash bonus.

Restricted Stock Units. A restricted stock unit is similar to a SAR except that it entitles the recipient to receive an amount equal to the fair market value of a common share.

Acceleration of Awards; Possible Early Termination of Awards. Upon a change in control of the Company, the vesting of all outstanding awards under the 2014 Plan will fully accelerate, and in the case of options or stock appreciation rights, will become immediately exercisable. For this purpose a change in control is defined to include certain changes in the majority of the Board, the sale of all or substantially all of the Company's assets, and the consummation of certain mergers or consolidations.

Transfer Restrictions. Subject to certain exceptions, awards under the 2014 Plan are not transferable by the recipient other than by will or the laws of descent and distribution, and are generally exercisable during the recipient's lifetime only by him or her.

Termination or Changes to the 2014 Plan. The Board may amend or terminate the 2014 Plan at any time and in any manner. Unless required by applicable law or listing agency rule, stockholder approval for any amendment will not be required. Unless previously terminated by the Board, the 2014 Plan will terminate on December 1, 2023. Generally speaking, outstanding awards may be amended, subject, however, to the consent of the holder if the amendment materially and adversely affects the holder.

Federal Income Tax Treatment of Awards under the 2014 Plan

Federal income tax consequences (subject to change) relating to awards under the 2014 Plan are summarized in the following discussion. This summary is not intended to be exhaustive and, among other

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considerations, does not describe the deferred compensation provisions of Section 409A of the U.S. Internal Revenue Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local, or international tax consequences.

For NSOs, the Company is generally entitled to deduct (and the optionee recognizes taxable income in) an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. For ISOs, the Company is generally not entitled to a deduction, nor does the participant recognize income at the time of exercise. The current federal income tax consequences of other awards authorized under the 2014 Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as NSOs; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses and performance share awards are generally subject to tax at the time of payment; cash-based awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. The Company will generally have a corresponding deduction at the time the participant recognizes income. However, as for those awards subject to ISO treatment, the Company would generally have no corresponding compensation deduction.

If an award is accelerated under the 2014 Plan in connection with a change in control (as this term is used under the Code), the Company may not be permitted to deduct the portion of the compensation attributable to the acceleration (parachute payments) if it exceeds certain threshold limits under the Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards which are not performance-based within the meaning of Section 162(m) of the Code may not be permitted to be deducted by the Company in certain circumstances.

New Plan Benefits

Awards are subject to the discretion of the Administrator. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the 2014 Plan.

RECOMMENDATION OF THE BOARD

The Board recommends that the stockholders vote **FOR** the approval of the 2014 Plan. The affirmative vote of the holders of a majority of the shares of common stock present at the meeting, in person or by proxy, will be required for adoption of the 2014 Plan.

PROPOSAL NO. 3

APPROVAL OF THE 2014 NON-EMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN

We are asking you to approve the Powell Industries, Inc. 2014 Non-Employee Director Equity Incentive Plan (the Director Plan), which the Compensation Committee adopted on December 2, 2013. The Director Plan will only become effective if approved by the stockholders at the Annual Meeting. Upon stockholder approval of the Director Plan, no further awards will be made under the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan and the Powell Industries, Inc. Non-Employee Director Stock Option Plan.

We are asking you to authorize 150,000 shares for future issuance under the Director Plan, which together with Proposal No. 2, will contribute to a potential dilution of approximately 7.5%. This potential dilution was calculated by adding (i) the total number of shares available for issuance under the Director Plan, (ii) the total

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number of shares available for issuance under the 2014 Plan, and (iii) all unvested shares and unexercised stock options previously awarded and outstanding under the Company's prior equity incentive plans; divided by the total number of shares of outstanding common stock of the Company. The Company anticipates that the requested number of shares for the Director Plan will be sufficient to meet the needs of our long-term incentive program for at least five years.

The purpose of the Director Plan is to promote the success and enhance the value of the Company by linking the personal interests of non-employee directors to those of the stockholders. We believe that to be successful, the non-employee directors need to think like owners. Consistent with this philosophy, our equity program continues to be broad-based to provide us with a competitive advantage in our efforts to recruit and retain top talent. In order to continue to make grants of equity in accordance with the compensation philosophy adopted by the Compensation Committee, the Compensation Committee and the Board have approved and are asking you to approve the Director Plan.

Material Features of the Director Plan

The following summary of the principal terms of the Director Plan is qualified in its entirety by the full text of such Director Plan, which has been filed as an exhibit to this Proxy Statement that was filed electronically with the Securities and Exchange Commission and can be reviewed on the Securities and Exchange Commission's website at www.sec.gov. You may also obtain, free of charge, a copy of the Director Plan by writing to the Corporate Secretary at 8550 Mosley Drive, Houston, Texas 77075.

Purpose. The purpose of the Director Plan is to attract and retain non-employee directors by providing them with additional incentives, and to promote the success of the Company's business.

Administration. The Compensation Committee of the Board will administer the Director Plan. The Compensation Committee may delegate some or all of its authority with respect to the Director Plan to another committee of directors and may delegate certain limited award grant authority to one or more officers of the Company. (The appropriate acting body, be it the board of directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this summary as the Administrator.) The Administrator determines the terms and conditions of awards, including the price (if any) to be paid for the shares or the award. Along with other authority granted to the Administrator under the Director Plan, the Administrator may (i) determine fair market value, (ii) approve form award agreements, (iii) determine the terms and conditions of awards, and (iv) amend outstanding awards. The Administrator may not, however, effectuate a repricing or exchange of outstanding stock options without the approval of the stockholders of the Company.

Eligibility. Persons eligible to receive awards under the Director Plan are non-employee directors of the Board.

Authorized Shares; Limits on Awards. The maximum number of common shares that may be issued or transferred pursuant to awards under the Director Plan equals 150,000. Additionally, the maximum number of shares subject to stock options and stock appreciation rights that are granted during any calendar year to any individual under the Director Plan is 12,000 shares. The total number of shares that may be issued for awards to any single participant during a calendar year for other stock-based awards (excluding stock options and SARs) is 4,000.

Adjustments or Changes in Capitalization. In the event of any change in the outstanding shares of common stock by reason of a stock split, stock dividend or other non-recurring dividends or distributions, recapitalization, merger, consolidation, spin-off, combination, repurchase or exchange of stock, reorganization,

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liquidation, dissolution or other similar corporate transaction that affects our common stock, the aggregate number of shares of common stock available under the Director Plan or subject to outstanding awards (including the exercise price of any awards) will be adjusted as the Administrator deems necessary or appropriate. In addition the Administrator may adjust the terms and conditions of awards in recognition of unusual or nonrecurring events affecting us or in response to changes in applicable laws, regulations or accounting principles.

Incentive Awards. The Director Plan authorizes stock options, stock appreciation rights (SARs), restricted stock, restricted stock units, as well as other awards (described in the Director Plan) that are responsive to changing developments in director compensation. The Director Plan retains the flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash. An option or SAR will expire, or other award will vest in accordance with the schedule set forth in the applicable award agreement.

Stock Option. A stock option is the right to purchase common shares at a future date at a specified price per share generally equal to, but no less than, the fair market value of a share on the date of grant. An option granted under the Director Plan will be a nonstatutory stock option (NSO). Full payment for shares purchased on the exercise of any option must be made at the time of such exercise in a manner approved by the Administrator.

SARs. A SAR is the right to receive payment of an amount equal to the excess of the fair market value of a common share on the date of exercise of the SAR over the base price of the SAR. The base price will be established by the Administrator at the time of grant of the SAR but will not be less than the fair market value of a share on the date of grant. SARs may be granted in connection with other awards or independently.

Restricted Stock. A restricted stock award is typically for a fixed number of common shares subject to restrictions. The Administrator specifies the price, if any, the participant must pay for such shares and the restrictions (which may include, for example, continued service) imposed on such shares. A stock bonus may be granted by the Administrator to any eligible person to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such shares) as determined from time to time by the Administrator. The number of shares so awarded shall be determined by the Administrator and may be granted independently or in lieu of a cash bonus.

Restricted Stock Units. A restricted stock unit is similar to a SAR except that it entitles the recipient to receive an amount equal to the fair market value of a common share.

Acceleration of Awards; Possible Early Termination of Awards. Upon a change in control of the Company, the vesting of all outstanding awards under the Director Plan will fully accelerate, and in the case of options or stock appreciation rights, will become immediately exercisable. For this purpose a change in control is defined to include certain changes in the majority of the Board, the sale of all or substantially all of the Company's assets, and the consummation of certain mergers or consolidations.

Transfer Restrictions. Subject to certain exceptions, awards under the Director Plan are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by him or her.

Termination of or Changes to the Director Plan. The Board may amend or terminate the Director Plan at any time and in any manner. Unless required by applicable law or listing agency rule, stockholder approval for

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any amendment will not be required. Unless previously terminated by the Board, the Director Plan will terminate on February 25, 2024. Generally speaking, outstanding awards may be amended, subject, however, to the consent of the holder if the amendment materially and adversely affects the holder.

Federal Income Tax Treatment of Awards under the Director Plan

Federal income tax consequences (subject to change) relating to awards under the Director Plan are summarized in the following discussion. This summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the U.S. Internal Revenue Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local, or international tax consequences.

For NSOs, the Company is generally entitled to deduct (and the optionee recognizes taxable income in) an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. The current federal income tax consequences of other awards authorized under the Director Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as NSOs; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses are generally subject to tax at the time of payment; cash-based awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. The Company will generally have a corresponding deduction at the time the participant recognizes income.

If an award is accelerated under the Director Plan in connection with a change in control (as this term is used under the Code), the Company may not be permitted to deduct the portion of the compensation attributable to the acceleration (parachute payments) if it exceeds certain threshold limits under the Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards which are not performance-based within the meaning of Section 162(m) of the Code may not be permitted to be deducted by the Company in certain circumstances.

New Plan Benefits

Awards are subject to the discretion of the Administrator. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the Director Plan.

RECOMMENDATION OF THE BOARD

The Board recommends that the stockholders vote **FOR** the approval of the Director Plan. The affirmative vote of the holders of a majority of the shares of common stock present at the meeting, in person or by proxy, will be required for adoption of the Director Plan.

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PROPOSAL NO. 4

ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Section 14A of the Exchange Act and the preference for annual non-binding advisory votes on executive compensation expressed by the Company's stockholders at the 2011 Annual Meeting of Stockholders, the Board 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 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.

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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.

Name	Age	Principal Occupation for Past Five Years⁽¹⁾	Offices Held With Company	Director Since	Term Expires
Eugene L. Butler	72	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	2014
Christopher E. Cragg	52	Senior Vice President Operations, Oil States International, Inc. since 2006; VP-Tubular, 2001 to 2006; President, Sooner Pipe, 2003 to 2006;	Director	2008	2014
Bonnie V. Hancock	52	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	2010	2014
Scott E. Rozzell	64	Executive Vice President & General Counsel of CenterPoint Energy since 2001.	Director	2011	2015
Robert C. Tranchon	73	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	2015
John D. White	65	Partner, Murphree Venture Partners, LP since 2008; Managing Director of The Wind Alliance from 2009 to 2011; Chairman of the Board and CEO, Standard Renewable Energy Group, LLC since 2006.	Director	2012	2015

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Name	Age	Principal Occupation for Past Five Years ⁽¹⁾	Offices Held With Company	Director Since	Term Expires
Joseph L. Becherer	71	Senior Vice President, Eaton Corporation from September 1995 until his retirement in October 1997	Director	1997	2016
Michael A. Lucas	53	President and Chief Executive Officer of the Company since August 20, 2012; President of Emerson Network Power from September 2010 to August 2012; Vice President of Emerson Energy Systems from January 2008 through September 2010.	Director	2012	2016
Thomas W. Powell	73	Chairman of the Board since 1984; President and Chief Executive Officer of the Company from 1984 through September 2008 and from September 14, 2011 through August 20, 2012	Director, Chairman of the Board	1984	2016

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

Board Structure, Committee Composition and Meetings

As of the date of this Proxy Statement, the Board was comprised of nine members, divided into three classes.

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, Christopher E. Cragg, Thomas W. Powell, Scott E. Rozzell, Robert C. Tranchon and John D. White are Independent Directors as such term is defined by Listing Rule 5605(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.

Five meetings of the Board were held during the fiscal year ended September 30, 2013. 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 on such committees.

It is the Company's policy that directors attend the Annual Meeting of Stockholders. At the Annual Meeting of Stockholders on February 20, 2013, 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 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 among 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 fiscal year ended September 30, 2013. All meetings of the Audit Committee were separate and apart from meetings of the full Board during fiscal year 2013.

The Audit Committee is comprised of Eugene L. Butler, Christopher E. Cragg, Bonnie V. Hancock and Robert C. Tranchon. The Board 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, 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 is responsible for determining compensation paid to the executive officers and for reviewing and recommending director compensation to the Board.

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 authority to directly engage independent consultants and periodically utilizes consultants to provide advice and recommendations regarding executive compensation. The Compensation Committee has the flexibility to exercise its independent judgment when establishing compensation policies, especially when rewarding individual performance. The Compensation Committee does not have the ability to delegate this authority.

The Compensation Committee is comprised of Joseph L. Becherer, Christopher E. Cragg, Bonnie V. Hancock and Scott E. Rozzell. The Compensation Committee held six meetings during the fiscal year ended September 30, 2013. The Compensation Committee also performs an annual self-evaluation and the most recent evaluation determined 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, under the section entitled Investor Relations.

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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 Co