

POWELL INDUSTRIES INC
Form DEF 14A
January 06, 2016
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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:

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POWELL INDUSTRIES, INC.

8550 Mosley Road

Houston, Texas 77075

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

to be held February 24, 2016

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 24, 2016, at 11:00 a.m., Houston time, for the following purposes:

1. To elect two (2) members of the Company's Board of Directors, with terms to expire in 2019;
2. To hold a stockholder advisory vote on the compensation of executives; and
3. 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 4, 2016, 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
President, Chief Executive Officer and

Chairman of the Board

Houston, Texas

January 6, 2016

Important Notice Regarding the Availability of Proxy Materials for the Stockholders Meeting to

Be Held on February 24, 2016

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This Notice, Proxy Statement, Form of Proxy And Annual Report Are Available At:

<http://investor.shareholder.com/powell/proxies.cfm>

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POWELL INDUSTRIES, INC.

8550 Mosley Road

Houston, Texas 77075

PROXY STATEMENT

January 6, 2016

Annual Meeting of Stockholders

February 24, 2016

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 24, 2016, 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, 2015, including consolidated financial statements, will be mailed to stockholders on or about January 6, 2016. The Board has fixed January 4, 2016, as the record date for determination of stockholders entitled to receive notice of and to vote at the Annual Meeting. As of January 4, 2016, there were 11,317,910 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 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 2019 will be elected as directors of the Company, class of 2019. Thus, abstentions and broker non-votes will have no effect on the election of directors. 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.

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

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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 two directors are scheduled to expire at the 2016 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 Thomas W. Powell and Richard E. Williams for election as directors with terms scheduled to expire in fiscal year 2019 or until their successors are duly elected and qualified.

Mr. Powell currently serves as a director of the Company, with his term scheduled to expire at the 2016 Annual Meeting or until his successor is duly elected and qualified. The Nominating and Governance Committee nominated Mr. Williams for election as a director based on his extensive business background and experience, as more fully described below.

As previously reported, Michael A. Lucas, our former President and Chief Executive Officer and a former director of the Company, resigned effective December 24, 2015. At the time of Mr. Lucas' resignation, the Nominating and Governance Committee did not appoint a new director to fill the vacancy created by Mr. Lucas' resignation. In accordance with our bylaws, the Board resolved to reduce the number of directors to eight members. Accordingly, there are only two directors up for election for the current class of directors.

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

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 as of the date of the 2016 Annual Meeting of Stockholders, 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
Thomas W. Powell	75	Chairman of the Board since 1984; President and Chief Executive Officer of the Company since December 2015, from 1984 through September 2008 and from September 14, 2011, through August 20, 2012.	President and Chief Executive Officer, Director, Chairman of the Board	1984	2016
Richard E. Williams	57	Shell Loaned Executive to the United Way of Greater Houston since October 2015; Shell Loaned Executive to Wetlands International from October 2013 to October 2015; President, Shell WindEnergy Inc. from January 2008 to October 2013.	None		
Eugene L. Butler	74	Director and CFO, Deep Down, Inc. since June 2007; Managing Director, CapSource Financial from 2005 to 2007.	Director	1990	2017
Christopher E. Cragg	54	Senior Vice President Operations, Oil States International, Inc. since 2006; President, Oil States Energy Services since 2012.	Director	2008	2017
Bonnie V. Hancock	54	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	2017
Scott E. Rozzell	66	Executive Vice President & General Counsel of CenterPoint Energy from 2001 until his retirement in 2014.	Director	2011	2018

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Name	Age	Principal Occupation for Past Five Years ⁽¹⁾	Offices Held with Company	Director Since	Term Expires
Stephen W. Seale, Jr.	76	Consultant, Professional Engineer until his retirement in December 2012.	Director	2015	2018
John D. White	67	Partner, The Southern Funds Group, LLC 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	2018

⁽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 eight members, divided into three classes. As previously reported, Michael A. Lucas, our former President and Chief Executive Officer and a former director of the Company, resigned effective December 24, 2015. At the time of Mr. Lucas' resignation, the Nominating and Governance Committee did not appoint a new director to fill the vacancy created by Mr. Lucas' resignation. In accordance with our bylaws, the Board resolved to reduce the number of directors to eight members.

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, Stephen W. Seale, Jr. and John D. White, as well as director nominee Mr. Richard E. Williams, 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.

Four meetings of the Board were held during the fiscal year ended September 30, 2015 (Fiscal 2015). 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 25, 2015, 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.

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

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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 fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the Company and all subsidiaries and the sufficiency of the audits of all Company activities. It is the Board's agent in ensuring 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 audit and management as their duties relate to financial accounting, reporting, and controls. The Audit Committee Charter does not expressly permit the Audit Committee to delegate its authority. The Audit Committee held four meetings during Fiscal 2015 and all meetings of the Audit Committee were separate and apart from meetings of the full Board.

The Audit Committee is comprised of Eugene L. Butler, Christopher E. Cragg, Bonnie V. Hancock and Stephen W. Seale, Jr. 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 member of the Audit Committee is an independent director. A copy of the Audit Committee Charter is available on the Company's website, 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 all subcomponent plans in which officers or 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 Charter does not expressly permit the Compensation Committee to delegate its authority.

The Compensation Committee is comprised of Joseph L. Becherer, Christopher E. Cragg, Bonnie V. Hancock and Scott E. Rozzell. The Compensation Committee held five meetings during Fiscal 2015. A copy of the Compensation Committee Charter is available on the Company's website, powellind.com, under the section entitled Investor Relations.

Nominating and Governance Committee

The Nominating and Governance Committee is responsible for selecting director nominees for election by the stockholders to fill directorships with expiring terms and for appointing new members to the Board to fill

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unexpired terms of directorships vacated during the terms. Annually, 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 for reviewing and monitoring the adherence to the Corporate Governance Guidelines adopted by the Board.

The Nominating and Governance Committee is comprised of Eugene L. Butler, Stephen W. Seale, Jr. and John D. White. During the Fiscal 2015, the Committee held four meetings. In December 2015, the Nominating and Governance Committee met and discussed the current director candidates, and recommended to the Board the reelection of the two candidates nominated above. A copy of the Nominating and Governance Committee Charter is available on the Company's website, 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 or reimbursement of out-of-pocket expenses for their services as directors.

For Fiscal 2015, compensation for non-employee directors was comprised of the following components:

		Cash Compensation	Common Stock
Quarterly Retainer	Chairman of the Board	\$ 22,500	
Quarterly Retainer	Audit Committee Chair	\$ 13,000	
Quarterly Retainer	Compensation Committee Chair	\$ 12,000	
Quarterly Retainer	Nominating and Governance Committee Chair	\$ 11,500	
Quarterly Retainer	All other directors	\$ 10,000	
Committee Meeting Fees	Audit	\$ 1,500	
(For each meeting attended)	Compensation	\$ 1,000	
	Nominating and Governance	\$ 1,000	
Annual Restricted Stock Award (shares)			2,000

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

The Company has stock ownership guidelines for its non-employee directors. Under these guidelines, each non-employee director is required to own and hold a minimum of 6,000 vested or unvested shares of the Company. Each non-employee director has three years to comply with the stock ownership guidelines and all non-employee directors are in compliance with the stock ownership guidelines.

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The stockholders voted at the February 26, 2014, meeting to approve the 2014 Non-Employee Director Equity Incentive Plan (the Director 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.

Under the terms of the Director Plan, the maximum number of shares subject to stock options and stock appreciation rights that may be 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 shares. The Compensation Committee has determined that each non-employee director will receive 2,000 restricted shares of the Company s Common Stock annually.

Table of Contents**DIRECTOR COMPENSATION FOR FISCAL 2015**

The table below summarizes the compensation paid by the Company to non-employee directors for Fiscal 2015.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)(2)	All Other Compensation \$(3)	Total (\$)
Joseph L. Becherer	44,000	66,740		110,740
Eugene L. Butler	62,000	66,740		128,740
Christopher E. Cragg	57,500	66,740		124,240
Bonnie V. Hancock	51,000	66,740		117,740
Thomas W. Powell	90,000	66,740	75,000	231,740
Scott E. Rozzell	45,000	66,740		111,740
Stephen W. Seale, Jr. ⁽⁴⁾	-0-	41,272		41,272
Robert C. Tranchon ⁽⁵⁾	52,000	66,740		118,740
John D. White	44,000	66,740		110,740

⁽¹⁾ The amounts in this column reflect the aggregate grant date fair value.

⁽²⁾ 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⁾ Mr. 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 beginning October 1, 2008, and then \$75,000 per year for ten years beginning October 1, 2013. Mr. Powell was elected as President and Chief Executive Officer of the Company by the Board of Directors effective December 24, 2015.

⁽⁴⁾ Mr. Seale was appointed to the Board of Directors effective September 22, 2015.

⁽⁵⁾ Mr. Tranchon retired from the Board of Directors effective September 22, 2015.

CORPORATE GOVERNANCE

The Company has established Corporate Governance Guidelines, which may be found on the Governance page of the Company's website, 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 is 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.

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Board Leadership Structure

The Chairman of the Board is elected by the Board 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 as well as his extensive knowledge and experience of the electrical manufacturing business derived from his decades of experience as CEO have been instrumental in its development. Second, Mr. Powell is uniquely qualified to be the Company's Chairman because he has years of experience in that role. Third, Mr. Powell has the confidence of the Board, the Company and its stockholders to continue to oversee the implementation of the Company's business plan.

Board's Role in Risk Oversight

The Board utilizes the Company's risk management process to assist in fulfilling its oversight of the Company's risks. Management, which is responsible for day-to-day risk management, conducts a risk assessment of the Company's business annually and more often on an as-needed basis. In its risk oversight role, the Board has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Our Board oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental aspect of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board in approving the Company's business plans as promoted by management is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

While the Board has the ultimate oversight responsibility for the risk management process, various committees of the Board assist the Board in fulfilling its oversight responsibilities in certain areas of risk. In particular, the Audit Committee focuses on financial and enterprise risk exposures, including internal controls, and discusses with management and the Company's independent auditor the Company's policies with respect to risk assessment and risk management. The Audit Committee also assists the Board in fulfilling its duties and oversight responsibilities relating to the Company's compliance with applicable laws and regulations and with conflict-of-interest issues that may arise. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs. At least annually, the Nominating and Governance Committee considers risks related to corporate governance.

Risk Assessment in Compensation Programs

The Compensation Committee conducts an annual risk assessment to determine whether the Company's compensation policies and practices are reasonably likely to have a material adverse effect on the Company. This risk assessment process for Fiscal 2015 included: a review of program policies and practices; program analysis to identify risk and risk control related to the programs; and determinations as to the sufficiency of risk identification, the balance of potential risk to potential reward, risk control and the support of the programs and their risks to company strategy. Although the Committee reviewed all compensation programs, it focused on the

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programs with variability of payout, with the ability of a participant to directly affect payout and the controls on participant action and payout.

The Committee took the following risk considerations into account in developing the incentive plans:

Incentive plan metrics are aligned with our business strategy;

Performance objectives are balanced with the quality and sustainability of business results;

The full range of potential payouts under each plan is understood;

Short term incentive payouts are capped;

Long term incentive payouts are capped;

Leverage and ratio of incentive compensation to salary and total compensation are understood;

Performance, structure and target incentive plan opportunities are comparable to those of industry or peers;

The Compensation Committee may exercise discretion where appropriate;

The Company's focus on long-term performance al