



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

**FORM S-8**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**Powell Industries, Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**88-0106100**  
*(I.R.S. Employer Identification  
Number)*

**8550 MOSLEY RD  
HOUSTON, TX 77075-1180**  
*(Address of Principal Executive Offices) (Zip Code)*

**POWELL INDUSTRIES, INC. 1992 STOCK OPTION PLAN  
POWELL INDUSTRIES, INC. 2006 EQUITY INCENTIVE PLAN  
POWELL INDUSTRIES, INC. NON-EMPLOYEE DIRECTOR RESTRICTED STOCK PLAN**  
*(Full title of the plan)*

**Patrick L. McDonald  
President and Chief Executive Officer  
Powell Industries, Inc.  
8550 Mosley Rd.  
Houston, TX 77075-1180  
(713) 944-6900**

*(Name, address and telephone number, including area code, of agent for service)*

**With Copies to:  
Ross D. Margraves, Jr., Esq.  
Winstead PC  
100 JPMorgan Chase Tower  
Houston, Texas 77002  
(713) 651-2773**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

**CALCULATION OF REGISTRATION FEE**

Title of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price (2)	Amount of registration fee
1992 Stock Option Plan Common Stock, \$0.01 par value per share (3)	90,067	\$ 32.125	\$ 2,893,402	\$ 207
2006 Equity Incentive Plan Common Stock, \$0.01 par value per share (4)	647,412	\$ 32.125	\$ 20,798,110	\$ 1,483
Non-Employee Director Restricted Stock Plan Common Stock, \$0.01 par value per share (5)	66,379	\$ 32.125	\$ 2,132,425	\$ 153

- (1) Pursuant to Rule 416, this registration statement also covers an indeterminable number of additional shares of the registrant's common stock which may become issuable under the Powell Industries, Inc. 2006 Equity Incentive Plan and the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan by reason of any stock split, stock dividend, reverse stock split, combination of shares or any other similar increase or decrease in the number of the registrant's common shares issued and outstanding.
- (2) Estimated pursuant to Rule 457(c) and (h) solely for purposes of calculating amount of registration fee and based upon the average of the high and low prices of the Common Stock of Powell Industries, Inc., as reported on the Nasdaq Global Market on December 16, 2010.
- (3) All of the shares being registered with respect to this plan relate to shares issuable upon unexercised options granted under such plan.
- (4) The shares being registered with respect to this plan include (1) 112,879 shares related to previously granted restricted stock awards and RSU awards that have not yet vested and (2) 534,533 shares remaining available for issuance under this plan.

(5) All of the shares being registered with respect to this plan relate to shares available for issuance under such plan.

---

---

## **TABLE OF CONTENTS**

### PART I

Item 1. Plan Information

Item 2. Registrant Information and Employee Plan Annual Information

### PART II

Item 3. Incorporation of Documents by Reference

Item 4. Description of Securities

Item 5. Interests of Named Experts and Counsel

Item 6. Indemnification of Directors and Officers

Item 7. Exemption from Registration Claimed

Item 8. Exhibits

Item 9. Undertakings

SIGNATURES

EXHIBIT INDEX

EX-5

EX-10.1

EX-10.2

EX-10.3

EX-23.2

---

## EXPLANATORY NOTE

This Registration Statement on Form S-8 (this “Registration Statement”) registers shares of our common stock underlying stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights and other awards that have been or may be issued to our employees and directors under the Powell Industries, Inc. 2006 Equity Incentive Plan. In addition, this Registration Statement registers additional securities relating to the Powell Industries, Inc. 1992 Stock Option Plan. The stockholders of the Registrant previously approved an amendment to the Plan increasing the number of shares of common stock to be issued under the Plan by 600,000 shares, from 2,100,000 shares to 2,700,000 shares. The Registrant granted options to purchase 90,067 shares of common stock above the original number of 2,100,000 in June 2005 and has since made no additional grants under such plan. All of such options remain unexercised. Finally, this Registration Statement registers common stock available for issuance under the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan.

### PART I

#### INFORMATION REQUIRED IN THE SECTION 10(A) PROSPECTUS

**Item 1. Plan Information.\***

**Item 2. Registrant Information and Employee Plan Annual Information.\***

---

\* The information specified in Part I of Form S-8 is not being filed with the Securities and Exchange Commission (the “Commission”) as permitted by the Note to Part I of Form S-8. This information will be sent or given to participants as specified in Rule 428(b)(1) of the Securities Act of 1933, as amended (the “Securities Act”). These document(s) and the documents incorporated by reference herein pursuant to Item 3 of Part II hereof, taken together, constitute a prospectus that meets the requirements of Section 10(a) of the Securities Act.

### PART II

#### INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

**Item 3. Incorporation of Documents by Reference.**

We hereby incorporate by reference in this Registration Statement the following documents previously filed by us with the Commission except to the extent that any information contained in such filings is deemed “furnished” in accordance with Commission rules, including, but not limited to, information furnished under Items 2.02 and 7.01 of any Current Report on Form 8-K including related exhibits:

(1) our Annual Report on Form 10-K for the fiscal year ended September 30, 2010, filed with the Commission on December 8, 2010; and

(2) the description of our common stock contained in our registration statement on Form 8-A/A filed with the Commission on November 1, 2004, including any amendment or report filed for the purpose of updating such description.

All documents we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), subsequent to the date of this Registration Statement and prior to the filing of a post-effective amendment that indicates that all securities offered have been sold or that deregisters all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part hereof.

---

## [Table of Contents](#)

### **Item 4. Description of Securities.**

Not applicable.

### **Item 5. Interests of Named Experts and Counsel.**

Not applicable.

### **Item 6. Indemnification of Directors and Officers.**

Section 145 of the Delaware General Corporation Law permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors, officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, i.e., an action by or in the right of the corporation, indemnification may be made only for expenses (including attorneys' fees) actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability. To the extent a present or former director or officer of a corporation has been successful on the merits or otherwise in the defense of any such action, suit or proceeding referred to above, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 145 of the Delaware General Corporation Law also permits a corporation to advance expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding prior to the final disposition thereof upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation. Such expenses may also be advanced to former directors and officers or other employees and agents as the corporation deems appropriate. Section 145 of the Delaware General Corporation Law further provides that the indemnification and advancement of expenses provided by Section 145 shall not be deemed exclusive of any other rights which the indemnified party may be entitled; that indemnification provided by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person's heirs, executors and administrators; and that a corporation may purchase and maintain insurance on behalf of a director, officer, employee or agent of the corporation against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liabilities under Section 145.

Section 102(b)(7) of the Delaware General Corporation Law provides that a certificate of incorporation may contain a provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, that such provision shall not eliminate or limit the liability of a director:

- for any breach of the director's duty of loyalty to the corporation or its stockholders;
  - for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
  - under Section 174 (relating to liability for unlawful acquisitions or redemptions of, or dividends on, capital stock) of the Delaware General Corporation Law; or
  - for any transaction from which the director derived an improper personal benefit.
-

## Table of Contents

Our certificate of incorporation provides that we shall, to the fullest extent permitted by the Delaware General Corporation Law, indemnify our directors and officers and contains provisions permitted by Section 102(b)(7) of the Delaware General Corporation Law.

Our bylaws provide that:

- we are required to indemnify our directors, officers, employees and agents, subject to limited exceptions;
- we are required to advance expenses, as incurred, to our directors and officers in connection with a legal proceeding, subject to limited exceptions; and
- we may advance expenses, as incurred, to other employees and agents in connection with a legal proceeding.

The indemnification provisions in our certificate of incorporation and bylaws may be sufficiently broad to permit indemnification of our directors and officers for liabilities arising under the Securities Act.

The foregoing summaries are necessarily subject to the complete text of the statute, our certificate of incorporation and our bylaws referred to above and are qualified in their entirety by reference thereto.

We maintain a policy of directors' and officers' liability insurance that insures our directors and officers against the cost of defense, settlement or payment of a judgment in certain circumstances.

We have also entered into indemnification agreements with our directors and officers. These agreements provide rights that are consistent with but more detailed than those provided under Delaware law and our bylaws. The indemnification agreements are not intended to deny or otherwise limit third-party derivative suits against us or our directors or officers, but if a director or officer is entitled to indemnity or contribution under the indemnification agreement, the financial burden of the third-party suit would be borne by us, and we would not benefit from derivative recoveries against the director or officer. Such recoveries would accrue to the benefit of us but would be offset by our obligations to the director or officer under the indemnification agreement.

### **Item 7. Exemption from Registration Claimed.**

Not applicable.

### **Item 8. Exhibits.**

See Exhibit Index.

### **Item 9. Undertakings.**

We hereby undertake:

- (a)(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
  - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act;
  - (ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective Registration Statement; and

## Table of Contents

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the Registration Statement is on Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference to the Registration Statement.

- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
  - (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to the directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by final adjudication of such issue.
-

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, State of Texas on December 21, 2010.

POWELL INDUSTRIES, INC.

By: /s/ Patrick L. McDonald  
Patrick L. McDonald  
President and Chief Executive Officer

KNOW ALL THESE MEN BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints Patrick L. McDonald and Don R. Madison, and each of them, either one of whom may act without joinder of the other, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all pre- and post-effective amendments to this registration statement, whether on Form S-8 or otherwise, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, and each of them, or the substitute or substitutes of any or all of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the date indicated.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Patrick L. McDonald</u> (Patrick L. McDonald)	President, Chief Executive Officer, and Director (Principal Executive Officer)	December 21, 2010
<u>/s/ Don R. Madison</u> (Don R. Madison)	Executive Vice President and Chief Financial and Administrative Officer (Principal Financial and Accounting Officer)	December 21, 2010
<u>/s/ Thomas W. Powell</u> (Thomas W. Powell)	Chairman of the Board	December 21, 2010
<u>/s/ Joseph L. Becherer</u> (Joseph L. Becherer)	Director	December 21, 2010
<u>/s/ Eugene L. Butler</u> (Eugene L. Butler)	Director	December 21, 2010

---

[Table of Contents](#)

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ James F. Clark</u> (James F. Clark)	Director	December 21, 2010
<u>/s/ Christopher E. Cragg</u> (Christopher E. Cragg)	Director	December 21, 2010
<u>/s/ Bonnie V. Hancock</u> (Bonnie V. Hancock)	Director	December 21, 2010
<u>/s/ Stephen W. Seale, Jr.</u> (Stephen W. Seale, Jr.)	Director	December 21, 2010
<u>/s/ Robert C. Tranchon</u> (Robert C. Tranchon)	Director	December 21, 2010
<u>/s/ Ronald J. Wolny</u> (Ronald J. Wolny)	Director	December 21, 2010

---

**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
4.1	— Certificate of Incorporation of Powell Industries, Inc. (filed as Exhibit 3.1 to the Registrant's Form 8-A/A filed November 1, 2004 and incorporated herein by reference).
4.2	— By-laws of Powell Industries, Inc. (filed as Exhibit 3.2 to the Registrant's Form 8-A/A filed November 1, 2004 and incorporated herein by reference).
*5	— Opinion of Winstead PC.
*10.1	— Powell Industries, Inc. 1992 Stock Option Plan, as amended.
*10.2	— Powell Industries, Inc. 2006 Equity Incentive Plan.
*10.3	— Powell Industries, Inc. Non-Employee Director Restricted Stock Plan.
*23.1	— Consent of Winstead PC (contained in Exhibit 5).
*23.2	— Consent of PricewaterhouseCoopers LLP.
*24	— Powers of Attorney (set forth on the signature page).

---

\* Filed herewith.

December 21, 2010

Board of Directors  
Powell Industries, Inc.  
8550 Mosley Drive  
Houston, Texas 77075

Members of the Board of Directors:

We have acted as counsel to Powell Industries, Inc. (the "Company") in connection with the Company's Registration Statement on Form S-8 (the "Registration Statement") to be filed with the Securities and Exchange Commission in connection with the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the proposed offer and sale of up to (i) 647,412 shares (the "2006 Plan Shares") of common stock, par value \$0.01 per share ("Common Stock"), of the Company to be issued by the Company pursuant to the Powell Industries, Inc. 2006 Equity Incentive Plan (the "2006 Plan"), (ii) 90,067 shares (the "1992 Plan Shares") of Common Stock to be issued pursuant to unexercised options granted pursuant to the Powell Industries, Inc. 1992 Stock Option Plan (the "1992 Plan") and (iii) 66,379 shares (together with the 2006 Plan Shares and the 1992 Plan Shares, the "Shares") of Common Stock to be issued pursuant to the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan (together with the 2006 Plan and the 1992 Plan, the "Plans").

We have examined the Registration Statement, the Plans, the minute books and other corporate records of the Company, and such other instruments and documents as we have deemed necessary or appropriate for the purposes of the opinions expressed herein. For the purposes of expressing the opinion set forth below, we have assumed: (i) the genuineness of all signatures and documents; (ii) the authenticity of all documents submitted to us as originals; (iii) the conformity to the originals of all documents submitted to us as copies; (iv) the correctness and accuracy of all facts set forth in the documents referred to in this opinion letter; and (v) the due authorization, execution, and delivery of and the validity and binding effect of all documents.

Based on the foregoing and subject to the qualifications, assumptions and other statements set forth herein, we are of the opinion that the Shares, when issued in accordance with the terms of the respective Plan, will be validly issued, fully paid and nonassessable.

We express no opinion as to the law of any jurisdiction other than the Delaware General Corporation Law. The reference and limitation to "Delaware General Corporation Law" includes the statutory provisions and all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting these laws. We express no opinion as to any matter other than as set forth herein, and no opinion may be inferred or implied herefrom. The opinion expressed herein is given as of this date, and we do not undertake to supplement this opinion with respect to any events or changes occurring subsequent to the date of this letter.

---

Powell Industries, Inc.  
December 21, 2010  
Page 2

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not admit that we are within the category of persons whose consent is required under the Securities Act or the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

Very truly yours,  
/s/ WINSTEAD PC

1992 POWELL INDUSTRIES, INC.  
STOCK OPTION PLAN

---

## TABLE OF CONTENTS

	Page
ARTICLE I. PLAN	1
1.1 PURPOSE	1
1.2 EFFECTIVE DATE OF PLAN	1
ARTICLE II. DEFINITIONS	1
2.1 "AFFILIATE"	1
2.2 "AWARD"	2
2.3 "BOARD OF DIRECTORS"	2
2.4 "CODE"	2
2.5 "COMMITTEE"	2
2.6 "COMPANY"	2
2.7 "DISINTERESTED PERSON"	2
2.8 "EMPLOYEE"	2
2.9 "FAIR MARKET VALUE"	2
2.10 "INCENTIVE OPTION"	2
2.11 "MATURITY DATE"	2
2.12 "NONQUALIFIED OPTION"	2
2.13 "OPTION"	2
2.14 "OPTION AGREEMENT"	3
2.15 "PLAN"	3
2.16 "RELOAD OPTION"	3
2.17 "RESTRICTED STOCK"	3
2.18 "RESTRICTED STOCK AGREEMENT"	3
2.19 "RESTRICTED STOCK PURCHASE PRICE"	3
2.20 "STOCK"	3
2.21 "STOCK APPRECIATION RIGHT"	3
2.22 "STOCK APPRECIATION RIGHTS AGREEMENT"	3
2.23 "10% SHAREHOLDER"	3
ARTICLE III. ELIGIBILITY	4
ARTICLE IV. GENERAL PROVISIONS RELATING TO OPTIONS, RELOAD OPTIONS, STOCK APPRECIATION RIGHTS AND AWARDS	4
4.1 AUTHORITY TO GRANT OPTIONS, RELOAD OPTIONS, STOCK APPRECIATION RIGHTS AND AWARDS	4
4.2 DEDICATED SHARES	4
4.3 NON-TRANSFERABILITY OF OPTIONS, RELOAD OPTIONS, STOCK APPRECIATION RIGHTS AND AWARDS	4
4.4 REQUIREMENTS OF LAW	5
4.5 NO RIGHTS AS STOCKHOLDER	5
4.6 CHANGES IN THE COMPANY'S CAPITAL STRUCTURE	5
4.7 ELECTION UNDER SECTION 83(B) OF THE CODE	7
ARTICLE V. OPTIONS AND RELOAD OPTIONS	7
5.1 TYPE OF OPTION	7
5.2 OPTION PRICE	7
5.3 DURATION OF OPTIONS	8

---

	Page
5.4 AMOUNT EXERCISABLE	8
5.5 EXERCISE OF OPTIONS	8
5.6 EXERCISE ON TERMINATION OF EMPLOYMENT	8
5.7 RELOAD OPTIONS	9
5.8 SUBSTITUTION OPTIONS	10
ARTICLE VI. STOCK APPRECIATION RIGHTS	10
6.1 STOCK APPRECIATION RIGHTS INCLUDED IN OPTIONS	10
6.2 STOCK APPRECIATION RIGHTS NOT INCLUDED IN OPTIONS	10
6.3 PAYMENT ON EXERCISE OF A STOCK APPRECIATION RIGHT	11
6.4 EXERCISE ON TERMINATION OF EMPLOYMENT	11
ARTICLE VII. AWARDS	11
7.1 AWARD AND RESTRICTED STOCK AGREEMENT	11
7.2 RESTRICTION PERIOD	11
7.3 EXERCISE ON TERMINATION OF EMPLOYMENT	11
ARTICLE VIII. ADMINISTRATION	12
ARTICLE IX. AMENDMENT OR TERMINATION OF PLAN	12
ARTICLE X. MISCELLANEOUS	13
10.1 NO ESTABLISHMENT OF A TRUST FUND	13
10.2 NO EMPLOYMENT OBLIGATION	13
10.3 FORFEITURE	13
10.4 TAX WITHHOLDING	14
10.5 WRITTEN AGREEMENT	14
10.6 INDEMNIFICATION OF THE COMMITTEE AND THE BOARD OF DIRECTORS	14
10.7 GENDER	15
10.8 HEADINGS	15
10.9 OTHER COMPENSATION PLANS	15
10.10 OTHER OPTIONS OR AWARDS	15
10.11 GOVERNING LAW	15

---

## ARTICLE I. PLAN

1.1 PURPOSE. This instrument amends Section 4.2 of the Plan and restates the Plan. The Plan was originally adopted as the "1989 Powell Industries, Inc. Stock Option Plan", effective March 17, 1989, and was previously amended and restated effective January 1, 1992, which amendment and restatement renamed the Plan the "1992 Powell Industries, Inc. Stock Option Plan." All Options and Awards granted prior to December 31, 1991, will remain subject to all of the terms and conditions of the Plan prior to the first amendment and restatement which was effective January 1, 1992, and all Options, Reload Options, Stock Appreciation Rights, and Awards issued on or after that date and prior to the effective date of this amendment and restatement will be subject to the terms and conditions of the Plan as first amended and restated. All Options, Reload Options, Stock Appreciation Rights, and Awards issued on or after the effective date of this amendment and restatement will be subject to the terms and conditions of the Plan as hereby amended and restated. This Plan continues to be a Plan for key employees of the Company and is intended to advance the best interests of the Company and its shareholders by providing those persons who have a substantial responsibility for the Company's growth with additional incentives and an opportunity to obtain or increase their proprietary interest in the Company, thereby encouraging them to continue their employment with the Company.

1.2 EFFECTIVE DATE OF PLAN. The Plan became effective on March 17, 1989 and the first amendment and restatement became effective January 1, 1992. This amendment and restatement shall become effective on January 1, 1996, if within one year of that date it shall have been approved by the holders of at least a majority of the outstanding shares of voting stock of the Company voting in person or by proxy at a duly held stockholders' meeting, or if the provisions of the corporate charter, by-laws or applicable state law prescribes a greater degree of stockholder approval for this action, the approval by the holders of that percentage, at a duly held meeting of stockholders. No Option, Reload Option, Stock Appreciation Right, or Award shall be granted pursuant to the Plan after March 16, 1999.

## ARTICLE II. DEFINITIONS

The words and phrases defined in this Article shall have the meaning set out in the definition unless the context in which any such word or phrase appears reasonably requires a broader, narrower, or different meaning.

2.1 "AFFILIATE" shall mean any parent corporation and any subsidiary corporation. The term "parent corporation" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the action or transaction, each of the corporations other than the Company owns stock possessing 50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain. The term "subsidiary corporation" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the action or transaction, each of the corporations other than the last corporation in the unbroken chain owns stock possessing

50 percent or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2.2 "AWARD" shall mean an award of Restricted Stock.

2.3 "BOARD OF DIRECTORS" shall mean the board of directors of Powell Industries, Inc.

2.4 "CODE" shall mean the Internal Revenue Code of 1986, as amended.

2.5 "COMMITTEE" shall mean the Compensation Committee of the Board of Directors, exclusive of any person who is not a Disinterested Person.

2.6 "COMPANY" shall mean Powell Industries, Inc., a Nevada corporation.

2.7 "DISINTERESTED PERSON" shall mean a "disinterested person" as that term is defined in Rule 16b-3 under the Securities Exchange Act of 1934.

2.8 "EMPLOYEE" shall mean a person employed by the Company or an Affiliate to whom an Option, a Reload Option, a Stock Appreciation Right, or an Award is granted.

2.9 "FAIR MARKET VALUE" of the Stock as of any date shall mean (i) the average of the high and low sale prices of the Stock on that date on the principal securities exchange on which the Stock is listed; or (ii) if the Stock is not listed on a securities exchange, the average of the high and low sale prices of the Stock on that date as reported on the NASDAQ National Market System; or (iii) if the Stock is not listed on the NASDAQ National Market System, the average of the high and low bid quotations for the Stock on that date as reported by the National Quotation Bureau Incorporated; or (iv) if none of the foregoing is applicable, the average between the closing bid and ask prices per share of stock on the last preceding date on which those prices were reported or that amount as determined by the Committee.

2.10 "INCENTIVE OPTION" shall mean an Option granted under this Plan which is designated as an "Incentive Option" and satisfies the requirements of Section 422 of the Code.

2.11 "MATURITY DATE" shall mean the date the Stock Appreciation Right given in a Stock Appreciation Rights Agreement vests.

2.12 "NONQUALIFIED OPTION" shall mean an Option other than an Incentive Option.

2.13 "OPTION" shall mean an option granted under this Plan to purchase shares of Stock.

2.14 "OPTION AGREEMENT" shall mean the written agreement which sets out the terms of an Option and/or Reload Option.

2.15 "PLAN" shall mean the 1992 Powell Industries, Inc. Stock Option Plan, as amended and restated as set out in this document and as it may be amended from time to time.

2.16 "RELOAD OPTION" shall mean an Option which the Committee may, in its sole discretion, grant in connection with the issuing of an Option if the exercise price of the Option is paid in whole or in part, by exchanging Stock owned by the Employee. A Reload Option shall be an Incentive Option or Nonqualified Option depending on the type of Option previously granted under the Option Agreement containing the Reload Option feature. The Reload Options will be subject to the same restrictions and provisions of the Plan as the original Option, except when specific changes are set out in the Option Agreement.

2.17 "RESTRICTED STOCK" shall mean stock awarded or purchased under a Restricted Stock Agreement entered into pursuant to this Plan. The terms and conditions of the Restricted Stock shall be determined by the Committee.

2.18 "RESTRICTED STOCK AGREEMENT" shall mean the agreement between the Company and the Employee under which the Employee is awarded or may purchase Restricted Stock.

2.19 "RESTRICTED STOCK PURCHASE PRICE" shall mean the purchase price per share of Restricted Stock subject to an Award. The Restricted Stock Purchase Price shall be determined by the Committee. It may be greater than or less than the Fair Market Value of the Stock on the date of the grant or Award.

2.20 "STOCK" shall mean the common stock of the Company, \$.01 par value or, in the event that the outstanding shares of common stock are later changed into or exchanged for a different class of stock or securities of the Company or another corporation, that other stock or security.

2.21 "STOCK APPRECIATION RIGHT" shall mean a right granted to an Employee under the terms of the Plan to receive an amount equal to the excess of the Fair Market Value of one share of Stock as of the date of exercise of the Stock Appreciation Right over the price per share of Stock specified in the Stock Appreciation Rights Agreement or Option Agreement of which it is a part.

2.22 "STOCK APPRECIATION RIGHTS AGREEMENT" shall mean the written agreement which sets out the terms of a Stock Appreciation Right. All of the terms and conditions of a Stock Appreciation Right shall be determined by the Committee.

2.23 "10% SHAREHOLDER" shall mean an individual who, at the time the Option is granted, owns stock possessing more than 10% of the total combined voting

power of all classes of stock of the Company or of any Affiliate. An individual shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors, and lineal descendants; and stock owned, directly or indirectly, by or for a corporation, partnership, estate, or trust, shall be considered as being owned proportionately by or for its shareholders, partners, or beneficiaries.

ARTICLE III. ELIGIBILITY. The individuals who shall be eligible to receive Incentive Options, Nonqualified Options, Reload Options, Stock Appreciation Rights, and Awards of Restricted Stock shall be those key employees as the Committee shall determine from time to time. However, no member of the Committee shall be eligible to receive any Option, Reload Option, Stock Appreciation Right or Award of Restricted Stock or to receive stock, stock options, or stock appreciation rights under any other plan of the Company or any of its Affiliates, if receipt of it would cause the individual not to be a Disinterested Person. The Board of Directors may designate one or more individuals who shall not be eligible to receive any Option, Reload Option, Stock Appreciation Right, or Award of Restricted Stock under this Plan or under other similar plans of the Company.

#### ARTICLE IV. GENERAL PROVISIONS RELATING TO OPTIONS, RELOAD OPTIONS, STOCK APPRECIATION RIGHTS AND AWARDS

4.1 AUTHORITY TO GRANT OPTIONS, RELOAD OPTIONS, STOCK APPRECIATION RIGHTS AND AWARDS. The Committee may grant to those key Employees as it shall from time to time determine, Options, Reload Options, Stock Appreciation Rights, or Awards of Restricted Stock under the terms and conditions of this Plan. Subject only to any applicable limitations set out in this Plan, the number of shares of Stock to be covered by any Option, Reload Option, Stock Appreciation Right or Award of Restricted Stock to be granted to an Employee shall be as determined by the Committee.

4.2 DEDICATED SHARES. The total number of shares of Stock with respect to which Options, Reload Options, Stock Appreciation Rights and Awards may be granted under this Plan shall be 2,700,000 shares. That number of shares shall be subject to adjustment in accordance with the provisions of Section 4.6. The shares may be treasury shares or authorized but unissued shares. In the event that any outstanding Option, Reload Option, Stock Appreciation Right or Award shall expire or terminate for any reason or any Option, Reload Option, Stock Appreciation Right or Award is surrendered, the shares of Stock and the Stock Appreciation Rights, if any, allocable to the unexercised portion of that Option, Reload Option, Stock Appreciation Right or Award may again be subject to an Option, Reload Option, Stock Appreciation Right or Award under this Plan.

4.3 NON-TRANSFERABILITY OF OPTIONS, RELOAD OPTIONS, STOCK APPRECIATION RIGHTS AND AWARDS. Options, Reload Options and Stock Appreciation Rights shall not be transferable by the Employee otherwise than by will or

under the laws of descent and distribution, and shall be exercisable, during the Employee's lifetime, only by him. Restricted Stock shall be purchased or earned under a Restricted Stock Agreement during the Employee's lifetime, only by him. Any attempt to transfer an Award other than under the terms of the Plan and the Restricted Stock Agreement shall terminate the Award and all rights of the Employee to that Restricted Stock.

4.4 REQUIREMENTS OF LAW. The Company shall not be required to sell or issue any Stock under any Option, Reload Option, Stock Appreciation Right or Award if issuing that Stock would constitute or result in a violation by the Employee or the Company of any provision of any law, statute, or regulation of any governmental authority. Specifically, in connection with any applicable statute or regulation relating to the registration of securities, upon exercise of any Option, Reload Option, Stock Appreciation Right or Award, the Company shall not be required to issue any Stock unless the Committee has received evidence satisfactory to it to the effect that the holder of that Option, Reload Option, Stock Appreciation Right or Award will not transfer the Stock except in accordance with applicable law, including receipt of an opinion of counsel satisfactory to the Company to the effect that any proposed transfer complies with applicable law. The determination by the Committee on this matter shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any Stock covered by this Plan pursuant to applicable securities laws of any country or any political subdivision. In the event the Stock issuable on exercise of an Option, Reload Option, Stock Appreciation Right or Award is not registered, the Company may imprint on the certificate evidencing the Stock any legend that counsel for the Company considers necessary or advisable to comply with applicable law. The Company shall not be obligated to take any other affirmative action in order to cause the exercise of an Option, Reload Option, Stock Appreciation Right or Award or the issuance of shares under any of them to comply with any law or regulation of any governmental authority.

4.5 NO RIGHTS AS STOCKHOLDER. No Employee shall have any rights as a stockholder with respect to Stock covered by his Option, Reload Option, Stock Appreciation Right or Award until the date a stock certificate is issued for the Stock unless the granting agreement specifically gives him a right.

4.6 CHANGES IN THE COMPANY'S CAPITAL STRUCTURE. The existence of outstanding Options, Reload Options, Stock Appreciation Rights, or Awards shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Stock or its rights, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

If the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction of

the number of shares of the Stock outstanding, without receiving compensation for it in money, services or property, then (a) the number, class, and per share price of shares of Stock subject to outstanding Options or Reload Options under this Agreement shall be appropriately adjusted in such a manner as to entitle an Employee to receive upon exercise of an Option, for the same aggregate cash consideration, the equivalent total number and class of shares as he would have received had he exercised his Option or Reload Option in full immediately prior to the event requiring the adjustment; and (b) the number and class of shares of Stock then reserved to be issued under the Plan shall be adjusted by substituting for the total number and class of shares of Stock then reserved, that number and class of shares of Stock that would have been received by the owner of an equal number of outstanding shares of each class of Stock as the result of the event requiring the adjustment. In addition, if the Company shall effect a subdivision or consolidation of shares or other capital readjustment, the payment of a stock dividend, or other increase or reduction in the number of shares of the Stock outstanding, without receiving compensation for it in money, services or property, the Committee shall make an appropriate adjustment in the number of Stock Appreciation Rights and/or Awards created under the Plan.

If the Company is merged or consolidated with another corporation or if the Company is liquidated or sells or otherwise disposes of substantially all its assets while unexercised Options remain outstanding under the Plan, (a) subject to the provisions of clause (c) below, after the effective date of the merger, consolidation, liquidation, sale or other disposition, as the case may be, each holder of an outstanding Option or Reload Option shall be entitled, upon exercise of the Option or Reload Option, to receive, in lieu of shares of Stock, the number and class or classes of shares of stock or other securities or property to which the holder would have been entitled if, immediately prior to the merger, consolidation, liquidation, sale or other disposition, the holder had been the holder of record of a number of shares of Stock equal to the number of shares as to which the Option and Reload Option shall be so exercised; (b) the Board of Directors may waive any limitations set out in or imposed under this Plan so that all Options, from and after a date prior to the effective date of the merger, consolidation, liquidation, sale or other disposition, as the case may be, specified by the Board of Directors, shall be exercisable in full; and (c) all outstanding Options may be canceled by the Board of Directors as of the effective date of any merger, consolidation, liquidation, sale or other disposition, if (i) notice of cancellation shall be given to each holder of an Option and (ii) each holder of an Option shall have the right to exercise that Option and any underlying Reload Option in full (without regard to any limitations set out in or imposed under the Plan) during a period set by the Board of Directors preceding the effective date of the merger, consolidation, liquidation, sale or other disposition and, if in the event all outstanding Options and Reload Options may not be exercised in full under applicable securities laws without registration of the shares of Stock issuable on exercise of the Options or Reload Options, the Board of Directors may limit the exercise of the Options and Reload Options to the number of shares of Stock, if any, as may be issued without registration. The method of choosing which Options and Reload Options may be exercised and the number of shares of Stock for which Options and Reload Options may be exercised shall be solely within the discretion of the Board of Directors.

After a merger of one or more corporations into the Company or after a consolidation of the Company and one or more corporations in which the Company shall be the surviving corporation, each Employee shall be entitled to have his Stock Appreciation Rights and/or Award appropriately adjusted based on the manner the Stock was adjusted under the terms of the agreement of merger or consolidation. If the Company is merged into or consolidated with another corporation under circumstances where the Company is not the surviving corporation, or if the Company is liquidated, or sells or otherwise disposes of substantially all of its assets to another corporation while unexpired Stock Appreciation Rights remain outstanding under the Plan, all outstanding Stock Appreciation Rights shall be cancelled as of the effective date of the merger, consolidation, liquidation or sale but payment shall be made under the Agreement prior to its cancellation as though each Stock Appreciation Right matured on the effective date of the merger, consolidation, liquidation or sale.

The issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property, or for labor or services either upon direct sale or upon the exercise of rights or warrants to subscribe for them, or upon conversion of shares or obligations of the Company convertible into shares or other securities, shall not affect, and no adjustment by reason of it shall be made with respect to, the number, class, or price of shares of Stock then subject to outstanding Options, Reload Options, Stock Appreciation Rights or Awards then subject to outstanding grants.

4.7 ELECTION UNDER SECTION 83(B) OF THE CODE. No Employee shall exercise the election permitted under Section 83(b) of the Code without written approval of the Committee. Any Employee doing so shall forfeit all Options, Reload Options, Stock Appreciation Rights and/or Awards issued to him under this Plan.

#### ARTICLE V. OPTIONS AND RELOAD OPTIONS

5.1 TYPE OF OPTION. The Committee shall specify whether a given Option shall constitute an Incentive Option or a Nonqualified Option.

5.2 OPTION PRICE. The price at which Stock may be purchased under an Incentive Option shall not be less than the greater of (a) 100% of the Fair Market Value of the shares of Stock on the date the Option is granted or (b) the aggregate par value of the shares of Stock on the date the Option is granted. The Committee in its discretion may provide that the price at which shares of Stock may be purchased shall be more than 100% of Fair Market Value. In the case of any 10% Shareholder, the price at which shares of Stock may be purchased under an Incentive Option shall not be less than 110% of the Fair Market Value of the Stock on the date the Incentive Option is granted.

The price at which shares of Stock may be purchased under a Nonqualified Option shall be the price determined by the Committee in its discretion, so long as the price is not less than the par value of the shares of Stock on the date the Option is granted.

5.3 DURATION OF OPTIONS. No Option shall be exercisable after the expiration of 10 years from the date the Option is granted. A Reload Option shall have a term which is no longer than the original term of the underlying Option unless it is expressly provided otherwise in the Option Agreement. In the case of a 10% Shareholder, no Incentive Option shall be exercisable after the expiration of five years from the date the Incentive Option is granted.

5.4 AMOUNT EXERCISABLE. Each Option may be exercised from time to time, in whole or in part, in the manner and subject to the conditions the Committee, in its discretion, may provide in the Option Agreement, as long as the Option is valid and outstanding. To the extent that the aggregate Fair Market Value (determined as of the time an Incentive Option is granted) of the Stock with respect to which Incentive Options first become exercisable by the Optionee during any calendar year (under this Plan and any other incentive stock option plan(s) of the Company or any Affiliate) exceeds \$100,000, the Options shall be treated as Nonqualified Options.

5.5 EXERCISE OF OPTIONS. Options shall be exercised by the delivery of written notice to the Committee setting forth the number of shares with respect to which the Option is to be exercised, together with: (a) cash, certified check, bank draft, or postal or express money order payable to the order of the Company for an amount equal to the option price of the shares, (b) Stock at the Fair Market Value on the date of exercise, and/or (c) any other form of payment which is acceptable to the Committee, and specifying the address to which the certificates for the shares are to be mailed. As promptly as practicable after receipt of written notification and payment, the Company shall deliver to the Employee certificates for the number of shares with respect to which the Option has been exercised, issued in the Employee's name. If shares of Stock are used in payment, the Fair Market Value of the shares of Stock tendered must be less than the Option Price of the shares being purchased and the difference must be paid by check. Delivery shall be deemed effected for all purposes when a stock transfer agent of the Company shall have deposited the certificates in the United States mail, addressed to the optionee, at the address specified by the Employee.

5.6 EXERCISE ON TERMINATION OF EMPLOYMENT. Unless it is expressly provided otherwise in the Option Agreement, Options (including Reload Options) shall terminate immediately upon severance of employment of the Employee from the Company for any reason, with or without cause, other than death, retirement for age or disability under the then established rules of the Company or severance for disability. Whether authorized leave of absence or absence on military or government service shall constitute severance of the employment of the Employee shall be determined by the Committee at that time.

If, before the expiration of an Incentive Option, the Employee shall be retired in good standing from the employ of the Company because of his age under the then established rules of the Company, the Incentive Option shall terminate on the earlier of the Option's expiration date or one day less than three months after his retirement. If before the expiration of a Nonqualified Option, the Employee shall be retired in good

standing from the employ of the Company because of his age under the then established rules of the Company, the Nonqualified Option shall terminate on the earlier of the Option's expiration date or one day more than six months after his retirement. In the event of retirement for age the Employee shall have the right prior to the termination of the Option to exercise the Option, but without the right to exercise any Reload Option feature of the Option, to the extent to which he was entitled to exercise it immediately prior to his retirement unless it is expressly provided otherwise in the Option Agreement.

If, before the expiration of an Option, the Employee shall be retired for disability under the then established rules of the Company, or severed from the employ of the Company for disability, the Option shall terminate on the earlier of the Option's expiration date or one day less than one year after the date he retired or was severed because of disability. In the event that the Employee shall be retired for disability under the then established rules of the Company or severed from the employ of the Company for disability, the Employee shall have the right prior to the termination of the Option to exercise the Option, but without the right to exercise any Reload Option feature of the Option, to the extent to which he was entitled to exercise it immediately prior to his retirement or severance of employment for disability unless it is expressly provided otherwise in the Option Agreement.

If, before the expiration of an Option, the Employee, whether in the employ of the Company or after he has retired for age or disability or was severed for disability, dies the Option shall continue until the earlier of the Option's expiration date or one year following the date of his death. After the death of the Employee, his executors, administrators or any persons to whom his Option may be transferred by will or by the laws of descent and distribution shall have the right, at any time prior to the Option's termination, to exercise it, but without the right to exercise any Reload Option feature, to the extent to which he was entitled to exercise it immediately prior to the death unless it is expressly provided otherwise in the Option Agreement.

In determining the employment relationship between the Company and the Employee, employment by any Affiliate shall be considered employment by the Company, as shall employment by a corporation issuing or assuming a stock option in a transaction to which Section 424(a) of the Code applies, or by a parent corporation or subsidiary corporation of the corporation issuing or assuming a stock option (and for this purpose, the phrase "corporation issuing or assuming a stock option" shall be substituted for the word "Company" in the definitions of parent corporation and subsidiary corporation in Section 2.1, and the parent-subsidiary relationship shall be determined at the time of the corporate action described in Section 424(a) of the Code).

5.7 RELOAD OPTIONS. From time to time, the Committee may grant Reload Options to Employees. The time of grant of a Reload Option shall be the time the Employee surrenders the shares of Stock with respect to which the Reload Option is granted. The Reload Option shall be for the number of shares of Stock surrendered by the Employee as payment upon the exercise of the previously granted Option. The Reload Option shall be subject to the following restrictions: (a) the Reload Option shall

be subject to the same restrictions on exercise and other Plan rules that are imposed on the underlying Option which contained the Reload Option feature; and (b) the Reload Option shall not be exercisable until the expiration of any retention holding period imposed on the disposition of any shares of Stock covered by the underlying Option which contained the Reload Option Feature unless it is expressly provided otherwise in the Option Agreement.

5.8 SUBSTITUTION OPTIONS. Options may be granted under this Plan from time to time in substitution for stock options held by employees of other corporations who are about to become employees of or affiliated with the Company or any Affiliate as the result of a merger or consolidation of the employing corporation with the Company or any Affiliate, or the acquisition by the Company or any Affiliate of the assets of the employing corporation, or the acquisition by the Company or any Affiliate of stock of the employing corporation as the result of which it becomes an Affiliate of the Company. The terms and conditions of the substitute Options granted may vary from the terms and conditions set out in this Plan to the extent the Board of Directors, at the time of grant, may deem appropriate to conform, in whole or in part, to the provisions of the stock options in substitution for which they are granted.

#### ARTICLE VI. STOCK APPRECIATION RIGHTS

6.1 STOCK APPRECIATION RIGHTS INCLUDED IN OPTIONS. Stock Appreciation Rights may be included in any Option granted to permit the Employee to surrender the Option or a portion of it which is then exercisable and receive in exchange an amount equal to the excess of the Fair Market Value of the Stock covered by the Option surrendered, or a portion of it, determined on the date of surrender, over the aggregate Option price of the Stock. If authorized by the Committee, an Employee may, by providing written notice to the Committee, elect to surrender all or any portion of an Option for Stock Appreciation Rights.

Stock Appreciation Rights included in Options may be exercised only when the Fair Market Value of the Stock covered by the Option surrendered exceeds the Option price of the Stock. Each of the Stock Appreciation Rights included in an Option (a) shall have a term no later than the term of the underlying Option, (b) may be for no more than 100% of the difference between the exercise price of the underlying Option and the Fair Market Value of a share of the Stock at the time the Stock Appreciation Right is exercised, (c) is transferable only when the underlying Option is transferable, and under the same conditions, and (d) may be exercised only when the underlying Option is eligible to be exercised. The limitations set out in this paragraph may be changed by the Committee in the grant of the Option and/or Stock Appreciation Rights except when the grant is of Stock Appreciation Rights granted in connection with an Incentive Option.

6.2 STOCK APPRECIATION RIGHTS NOT INCLUDED IN OPTIONS. The grant to an Employee of a Stock Appreciation Right that is not a feature of an Option shall, subject to the conditions contained in the Stock Appreciation Rights Agreement, entitle the Employee to an amount equal to the excess of the Fair Market Value of a share of Stock as of the date of exercise of the Stock Appreciation Right over the Fair Market

Value of a share of Stock as of the date that the Stock Appreciation Right is granted. The Committee shall fix the term of the Stock Appreciation Right which may not be in excess of 10 years from the date the Stock Appreciation Right is granted. Within the 10 year period the Committee may, in its discretion, provide that portions of the grant may mature at intervals throughout the period.

6.3 PAYMENT ON EXERCISE OF A STOCK APPRECIATION RIGHT. Upon exercise of Stock Appreciation Rights, the Committee may pay the Employee in shares of Stock valued at Fair Market Value, in cash, or partly in cash and partly in shares of Stock as the Committee determines in the exercise of its sole discretion.

6.4 EXERCISE ON TERMINATION OF EMPLOYMENT. Any Stock Appreciation Right included in an Incentive Option shall expire because of termination of employment at the time the underlying Option expires. Any Stock Appreciation Right included in a Nonqualified Option or not included in an Option shall expire as provided for Nonqualified Options in Section 5.6 generally unless it is expressly provided otherwise in the Option Agreement and/or the Stock Appreciation Rights Agreement.

#### ARTICLE VII. AWARDS

7.1 AWARD AND RESTRICTED STOCK AGREEMENT. Each Award granted shall be evidenced by a written Restricted Stock Agreement dated as of the date of grant of the Award and executed by the Company and the Employee. The Restricted Stock Agreement may vary any terms and conditions as the Committee determines to be appropriate, including without limitation: (a) conditions consistent with Section 16(b) of the Securities Exchange Act of 1934 and the rules and regulations promulgated under it, as the same may be amended from time to time, (b) the period during which the Award may be exercised, (c) the manner of exercising the Award, (d) the minimum number of shares of Stock for which the Award may be exercised, (e) the withholding of taxes in connection with the exercise of the Award, (f) the period during which the Restricted Stock may vest, (g) termination of Award rights upon certain events and (h) any other matters the Committee shall determine. If any payment is required to exercise the Award, subject to any restrictions as the Committee, in its sole discretion, may include in the Restricted Stock Agreement, upon payment by the Employee of the Restricted Stock Purchase Price, the Employee shall have all of the rights of a shareholder with respect to the Stock, including the right to vote the shares and receive all dividends and other distributions paid or made with respect to it.

7.2 RESTRICTION PERIOD. No Award granted may have restrictions continuing beyond 10 years from the date of the Award.

7.3 EXERCISE ON TERMINATION OF EMPLOYMENT. Any Award which has not been exercised or upon which restrictions have not lapsed will expire upon termination of the Employee's employment with the Company or its Affiliates unless it is expressly provided otherwise in the Award.

## ARTICLE VIII. ADMINISTRATION

The Plan shall be administered by the Committee. All questions of interpretation and application of the Plan, Options, Reload Options, Stock Appreciation Rights, or Awards shall be subject to the determination of the Committee. A majority of the members of the Committee shall constitute a quorum. All determinations of the Committee shall be made by a majority of its members. Any decision or determination reduced to writing and signed by a majority of the members shall be as effective as if it had been made by a majority vote at a meeting properly called and held. This Plan shall be administered in such a manner as to permit the Options granted under it which are designated to be Incentive Options to qualify as Incentive Options. In carrying out its authority under the Plan, the Committee shall have full and final authority and discretion, including but not limited to the following rights, powers and authorities, to:

- (a) determine the Employees to whom and the time or times at which Options and/or Reload Options (with or without Stock Appreciation Rights), Stock Appreciations Rights, or Awards will be made,
- (b) determine the number of shares and the purchase price of Stock covered in each Option, Reload Option, Stock Appreciation Right, or Award,
- (c) determine the terms, provisions and conditions of each Option, Reload Option, Stock Appreciation Right and Award, which need not be identical,
- (d) define the effect, if any, on an Option, Reload Option, Stock Appreciation Right or Award of the death, disability, retirement, or termination of employment of the Employee,
- (e) prescribe, amend and rescind rules and regulations relating to the Plan, and
- (f) make all other determinations and take all other actions deemed necessary, appropriate, or advisable for the proper administration of the Plan.

The actions of the Committee in exercising all of the rights, powers, and authorities set out in this Article and all other Articles of this Plan, when performed in good faith and in its sole judgment, shall be final, conclusive and binding on all parties.

**ARTICLE IX. AMENDMENT OR TERMINATION OF PLAN.** The Board of Directors may modify, revise or terminate this Plan at any time and from time to time. However, without the further approval of the holders of at least a majority of the outstanding shares of Stock, or if the provisions of the corporate charter, by-laws or applicable state law prescribes a greater degree of stockholder approval for this action, without the degree of stockholder approval thus required, the Board of Directors may not (a) change the aggregate number of shares of Stock which may be issued under Incentive Options or under all Options, Reload Options, Stock Appreciation Rights or Awards which may be issued under this Plan, (b) change the class of individuals eligible to

receive Options, Reload Options, Stock Appreciation Rights, or Awards or (c) decrease the option price for Incentive Options below the Fair Market Value of the Stock at the time it is granted. The Board shall have the power to make any changes in the Plan and in the regulations and administrative provisions under it or in any outstanding Incentive Option as in the opinion of counsel for the Company may be necessary or appropriate from time to time to enable any Incentive Option granted under this Plan to qualify as an incentive stock option or such other stock option as may be defined under the Code so as to receive preferential federal income tax treatment.

#### ARTICLE X. MISCELLANEOUS

10.1 NO ESTABLISHMENT OF A TRUST FUND. No property shall be set aside nor shall a trust fund of any kind be established to secure the rights of any Employee under this Plan. All amounts at any time attributable to Stock Appreciation Rights granted shall be solely a charge upon the Company, and all Employees shall at all times rely solely upon the general credit of the Company for the payment of any benefit which becomes payable under this Plan.

10.2 NO EMPLOYMENT OBLIGATION. The granting of any Option, Reload Option, Stock Appreciation Right, or Award shall not constitute an employment contract, express or implied, nor impose upon the Company or Affiliate any obligation to employ or continue to employ any Employee. The right of the Company or any Affiliate to terminate the employment of any person shall not be diminished or affected by reason of the fact that an Option, a Reload Option, a Stock Appreciation Right, or an Award has been granted to him.

10.3 FORFEITURE. Notwithstanding any other provisions of this Plan, if the Committee finds by a majority vote after full consideration of the facts that the Employee, before or after termination of his employment with the Company or an Affiliate for any reason (a) committed or engaged in fraud, embezzlement, theft, commission of a felony, or proven dishonesty in the course of his employment by the Company or an Affiliate, which conduct damaged the Company or Affiliate, or disclosed trade secrets of the Company or an Affiliate, or (b) participated, engaged in or had a financial or other interest, whether as an employee, officer, director, consultant, contractor, shareholder, owner, or otherwise, in any commercial endeavor in the United States which is competitive with the business of the Company or an Affiliate without the written consent of the Company or Affiliate, the Employee shall forfeit all outstanding Options, Reload Options, and Stock Appreciation Rights, and all outstanding Awards which have not fully vested, including all rights related to such matters, and including all unexercised Options and/or Reload Options, and exercised Options and/or Reload Options, Stock Appreciation Rights and other elections pursuant to which the Company has not yet delivered a stock certificate, and any additional Options not yet granted pursuant to a Reload Option. Clause (b) shall not be deemed to have been violated solely by reason of the Employee's ownership of stock or securities of any publicly owned corporation, if that ownership does not result in effective control of the corporation, and if written notice of the ownership is given the Committee by the Employee within 60 days after the later of the date on which the Employee is notified of a grant of an Option,

Reload Option, Stock Appreciation Right, or Award under this Plan or the date on which the Employee acquires the ownership.

The decision of the Committee as to the cause of the Employee's discharge, the damage done to the Company or an Affiliate, and the extent of the Employee's competitive activity shall be final. No decision of the Committee, however, shall affect the finality of the discharge of the Employee by the Company or an Affiliate in any manner. To provide the Company with an opportunity to enforce this Section, no certificate for Stock may be issued under this Plan without the certification by the Committee that no action forbidden by this provision has been raised for their determination.

10.4 TAX WITHHOLDING. The Company or any Affiliate shall be entitled to deduct from other compensation payable to each Employee any sums required by federal, state, or local tax law to be withheld with respect to the grant or exercise of an Option, a Reload Option, a Stock Appreciation Right or an Award. In the alternative, the Company may require the Employee (or other person exercising the Option, Reload Option or Stock Appreciation Right or receiving the Award) to pay the sum directly to the employer corporation. If the Employee (or other person exercising the Option, Reload Option, the Stock Appreciation Right, or receiving the Award) is required to pay the sum directly, payment in cash or by check of such sums for taxes shall be delivered within 10 days after the date of exercise. The Company shall have no obligation upon exercise of any Option, Reload Option, Stock Appreciation Right or receipt of an Award until payment has been received, unless withholding (or offset against a cash payment) as of or prior to the date of exercise is sufficient to cover all sums due with respect to that exercise. The Company shall not be obligated to advise an Employee of the existence of the tax or the amount which the employer corporation will be required to withhold.

10.5 WRITTEN AGREEMENT. Each Option, Reload Option, Stock Appreciation Right and Award shall be embodied in a written Option Agreement, Stock Appreciation Rights Agreement, or Restricted Stock Agreement which shall be subject to the terms and conditions of this Plan and shall be signed by the Employee and by a member of the Committee on behalf of the Committee and the Company. The Option Agreement, Stock Appreciation Rights Agreement, or Restricted Stock Agreement may contain any other provisions that the Committee in its discretion shall deem advisable.

10.6 INDEMNIFICATION OF THE COMMITTEE AND THE BOARD OF DIRECTORS. With respect to administration of the Plan, the Company shall indemnify each present and future member of the Committee and the Board of Directors against, and each member of the Committee and the Board of Directors shall be entitled without further act on his part to indemnify from the Company for, all expenses (including the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to the Company itself) reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his being or having been a member of the Committee and/or the Board of Directors, whether or not he continues to be a

member of the Committee and/or the Board of Directors at the time of incurring the expenses. However, this indemnity shall not include any expenses incurred by any member of the Committee and/or the Board of Directors (a) in respect of matters as to which he shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee and the Board of Directors, or (b) in respect of any matter in which any settlement is effected, to an amount in excess of the amount approved by the Company on the advice of its legal counsel. In addition, no right of indemnification under this Plan shall be available to or enforceable by any member of the Committee and the Board of Directors unless, within 60 days after institution of any action, suit or proceeding, he shall have offered the Company, in writing, the opportunity to handle and defend same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each member of the Committee and the Board of Directors and shall be in addition to all other rights to which a member of the Committee and the Board of Directors may be entitled as a matter of law, contract, or otherwise.

10.7 GENDER. If the context requires, words of one gender when used in this Plan shall include the others and words used in the singular or plural shall include the other.

10.8 HEADINGS. Headings of Articles and Sections are included for convenience of reference only and do not constitute part of the Plan and shall not be used in construing the terms of the Plan.

10.9 OTHER COMPENSATION PLANS. The adoption of the Plan shall not affect any other stock option, incentive or other compensation or benefit plans in effect for the Company or any Affiliate, nor shall the Plan preclude the Company from establishing any other forms of incentive or other compensation for employees of the Company or any Affiliate.

10.10 OTHER OPTIONS OR AWARDS. The grant of an Option, Reload Option, Stock Appreciation Right, or Award shall not confer upon the Employee the right to receive any future or other Options, Reload Options, Stock Appreciation Rights or Awards under this Plan, whether or not Options, Reload Options, Stock Appreciation Rights or Awards may be granted to similarly situated Employees, or the right to receive future Options, Reload Options, Stock Appreciation Rights or Awards upon the same terms or conditions as previously granted.

10.11 GOVERNING LAW. The provisions of this Plan shall be construed, administered, and governed under the laws of the State of Texas and, to the extent applicable, the laws of the United States.

**POWELL INDUSTRIES, INC.  
2006 EQUITY COMPENSATION PLAN**

The Powell Industries, Inc. 2006 Equity Compensation Plan ("Plan") was adopted by the Board of Directors of Powell Industries, Inc., a Delaware corporation ("Company"), effective as of September 29, 2006, and was approved by the stockholders of the Company at a meeting duly called and held on February 23, 2007.

**ARTICLE 1  
PURPOSE**

The purpose of the Plan is to attract and retain the services of key management employees of the Company and to provide such persons with a proprietary interest in the Company through the granting of restricted stock awards, incentive stock options, non-qualified stock options, performance awards or stock appreciation rights, whether granted singly, in combination or in tandem, that will:

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services for the Company; and
- (c) provide a means through which the Company may attract able persons as employees.

**ARTICLE 2  
DEFINITIONS**

For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 "Affiliate" means (i) any corporation, partnership or other entity which owns, directly or indirectly, a majority of the voting equity securities of the Company, (ii) any corporation, partnership or other entity of which a majority of the voting equity securities or equity interest is owned, directly or indirectly, by the Company, and (iii) with respect to an Option that is intended to be an Incentive Stock Option, (A) any "parent corporation" of the Company, as defined in Section 424(e) of the Code or (B) any "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code, any other entity that is taxed as a corporation under Section 7701(a)(3) of the Code and is a member of the "affiliated group" as defined in Section 1504(a) of the Code, of which the Company is the common parent, and any other entity as may be permitted from time to time by the Code or by the Internal Revenue Service to be an employer of Employees to whom Incentive Stock Options may be granted.

---

2.2 “Award” means the grant of Restricted Stock, a Stock Option, a Performance Award or SAR, whether granted singly, in combination or in tandem (each individually an “Incentive”).

2.3 “Award Agreement” means the written agreement between a Participant and the Company which sets out the terms of the grant of an Award, including any amendment thereto. Each Award Agreement shall be subject to the terms and conditions of the Plan.

2.4 “Award Period” means the period during which one or more Incentives granted under an Award may be exercised.

2.5 “Board” means the board of directors of the Company.

2.6 “Cause” shall mean (i) “cause” as that term may be defined in any written employment agreement between a participant and the company or a subsidiary which may at any time be in effect, (ii) in the absence of such a definition in a then-effective written employment agreement (in the determination of the board), “cause” as that term may be defined in any Award Agreement under this Plan, or (iii) in the absence of such a definition in a then-effective written employment agreement (in the determination of the board) or in an Award Agreement under the Plan, termination of a Participant’s employment with the Company or n Affiliate upon the occurrence of one or more of the following events:

(a) The Participant’s failure to substantially perform such Participant’s duties with the Company or any Affiliate as determined by the Board or the Company;

(b) The Participant’s willful failure or refusal to perform specific directives of the Board or the Company, which directives are consistent with the scope and nature of the Participant’s duties and responsibilities;

(c) The Participant’s conviction of a felony;

(d) A breach of the Participant’s fiduciary duty to the Company or any Affiliate or any act or omission of the Participant that (A) results in the assessment of a criminal penalty against the Company, (B) is otherwise in violation of any federal, state, local or foreign law or regulation (other than traffic violations and other similar misdemeanors), (C) adversely affects or could reasonably be expected to adversely affect the business reputation of the Company, or (D) otherwise constitutes willful misconduct, gross negligence, or any act of dishonesty or disloyalty, (ii) the violation by the Participant of any policy, rule or directive established by the Company, or (iii) the Company’s determination that the Employee’s performance or conduct was unacceptable.

---

2.7 “Change of Control” means the first to occur of the following:

(a) A change in ownership of the Company. A change in ownership of the Company occurs on the date that any person, or more than one person acting as a group, becomes the owner of more than fifty percent (50%) of the total fair market value or combined voting power of the stock of the Company. A person, or more than one person acting as a group, will be considered to have become the owner of more than fifty percent (50%) of the total fair market value or combined voting power of the stock of the Company if the person’s percentage ownership increases because the Company acquires its stock in exchange for property. This subparagraph shall not apply if an acquiring person, or more than one person acting as a group, immediately prior to the acquisition of additional stock of the Company owned more than fifty percent (50%) of the total fair market value or combined voting power of the stock of the Company; or

(b) A change in the effective control of the Company. A change in the effective control of the Company occurs on the date that either:

(1) any one person, or more than one person acting as a group, acquires or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such person, or persons, stock of the Company possessing thirty-five percent (35%) or more of the total fair market value or combined voting power of the stock of the Company; or

(2) a majority of members of the board of directors of the Company is replaced during any twelve (12)-month period by directors whose appointment or election is not endorsed by a majority of board of directors of the Company prior to the date of the appointment or election.

(3) this subparagraph shall not apply if an acquiring person, or more than one person acting as a group, immediately prior to the acquisition of additional stock of the Company already had effective control of the Company because the person, or persons, own thirty-five percent (35%) or more of the total fair market value or combined voting power of the stock of the Company; or

(c) A change in the ownership of a substantial portion of the Company assets. A change in the ownership of a substantial portion of the Company assets occurs on the date that any one person, or more than one person acting as a group, acquires, or has acquired during the twelve (12)-month period ending on the date of the most recent acquisition by such person or persons, Company assets that have a total gross fair market value [the value of the assets being disposed of without regard to any liabilities associated with those assets] equal to forty percent (40%) or more of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. A transfer of a substantial portion of the assets of the Company does not constitute a change in ownership giving rise to a change of control if:

(1) the transfer of a substantial portion of the Company assets is to an entity that immediately after the transfer is controlled by shareholders of the Company; or

---

(2) the transfer is to

(A) an individual who is a shareholder of the Company immediately before the asset transfer in exchange for or respect to the individual's stock in the Company;

(B) an entity in which fifty percent (50%) or more of the total fair market value or combined voting power of the stock of the entity is owned by the Company;

(C) a person, or more than one person acting as a group, who owns fifty percent (50%) or more of the total fair market value or combined voting power of the stock of the Company; or

(D) an entity in which fifty percent (50%) or more of the total fair market value or combined voting power of the stock of the entity is owned by a person described in (2)(C), above.

2.8 "Chief Executive Officer" means the individual serving at any relevant time as the chief executive officer of the Company.

2.9 "Code" means the Internal Revenue Code of 1986, as amended. Reference in the Plan to any section of the Code shall be deemed to include any amendments or successor provisions to such section and any Treasury regulations promulgated under such section.

2.10 "Committee" means the Compensation Committee of the Board as such Compensation Committee may be constituted from time to time pursuant to the terms of the Compensation Committee Charter of the Board. Membership on the Committee shall be limited to Directors who (i) meet the independence requirements of the NASDAQ and any other regulatory requirements, (ii) qualify as "Non-Employee Directors" (as that term is defined in Rule 16b-3 (or any successor to such rule) promulgated under the Exchange Act), and (iii) satisfy the requirements of an "outside director," for purposes of Section 162(m) of the Code and such Treasury regulations as may be promulgated thereunder. Membership in the Committee shall be subject to the rotation policy set forth in the Company's corporate governance guidelines. All members of the Committee will serve at the pleasure of the Board. Notwithstanding the foregoing, if the composition of the Committee does not comply with the foregoing provisions of this Subsection, the entire Board shall constitute the Committee until such time as a proper Committee is appointed in accordance with the foregoing provisions of this Subsection.

2.11 "Common Stock" means the common stock, par value \$0.01 per share, which the Company is currently authorized to issue or may in the future be authorized to issue.

2.12 "Company" means Powell Industries, Inc., a Delaware corporation, and any successor entity and shall, unless the context indicates otherwise, include its Affiliates.

---

2.13 “Consultant” means any person (other than an Employee or a Director, solely with respect to rendering services in such person’s capacity as a Director) who is engaged by the Company, or any of its Affiliates to render consulting or advisory services to the Company or such Affiliate.

2.14 “Continuous Service” means that the provision of services to the Company or an Affiliate in any capacity as Employee, Director or Consultant is not interrupted or terminated. Except as otherwise provided in a particular Award Agreement, service shall not be considered interrupted or terminated for this purpose in the case of (i) any approved leave of absence, (ii) transfers among the Company, any Affiliate, or any successor, in any capacity as Employee, Director or Consultant, or (iii) any change in status as long as the individual remains in the service of the Company or an Affiliate in any capacity as Employee, Director or Consultant. An approved leave of absence shall include sick leave, military leave or any other authorized personal leave. For purposes of each Incentive Stock Option, if such leave exceeds ninety (90) days, and re-employment upon expiration of such leave is not guaranteed by statute or contract, then the Incentive Stock Option shall be treated as a Non-Qualified Stock Option on the day that is three (3) months and one (1) day following the expiration of such ninety (90)-day period.

2.15 “Date of Grant” means the effective date on which an Award is made to a Participant as set forth in the applicable Award Agreement.

2.16 “Director” means a member of the Board or the board of directors of an Affiliate.

2.17 “Disability” means the “disability” of a person as defined in a then effective long-term disability plan maintained by the Company that covers such person, or if such a plan does not exist at any relevant time, “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. For purposes of determining the time during which an Incentive Stock Option may be exercised under the terms of an Award Agreement, “Disability” means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. Section 22(e)(3) of the Code provides that an individual is totally and permanently disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve (12) months.

2.18 “Employee” means any person, including an Officer or Director, who is employed, within the meaning of Section 3401 of the Code, by the Company or an Affiliate. The provision of compensation by the Company or an Affiliate to a Director solely with respect to such individual rendering services in the capacity of a Director, however, shall not be sufficient to constitute “employment” by the Company or that Affiliate.

2.19 “Exchange Act” means the Securities Exchange Act of 1934, as amended, and any successor statute. Reference in the Plan to any section of the Exchange Act shall be deemed to include any amendments or successor provisions to such section and any rules and regulations relating to such section.

---

2.20 “Fair Market Value” means, as of any date, the value of the Common Stock determined as follows:

(a) If the Common Stock is listed on any established stock exchange or traded on the NASDAQ National Market or the NASDAQ SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such a share of Common Stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in *The Wall Street Journal* or such other source as the Committee deems reliable.

(b) In the absence of any such established markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Committee.

2.21 “Grantee” means an Employee or Consultant to whom a Restricted Stock Award has been granted under the Plan.

2.22 “Incentive Stock Option” or “ISO” means a Stock Option granted under the Plan to an Employee that meets the requirements of Section 422 of the Code.

2.23 “Non-Qualified Stock Option” or “NQSO” means a Stock Option granted under the Plan that does not qualify as an Incentive Stock Option (including, without limitation, any Stock Option to purchase Common Stock originally designated as or intended to qualify as an Incentive Stock Option but which does not (for whatever reason) qualify as an Incentive Stock Option).

2.24 “Officer” means a person who is an “officer” of the Company or an Affiliate within the meaning of Section 16 of the Exchange Act (whether or not the Company is subject to the requirements of the Exchange Act).

2.25 “Option Price” means the price which must be paid by a Participant upon exercise of a Stock Option to purchase a share of Common Stock.

2.26 “Optionee” means an individual to whom a Stock Option has been granted under the Plan.

2.27 “Participant” shall mean an Employee of the Company or an Affiliate or any Consultant to whom an Award is granted under this Plan.

2.28 “Performance Award” means mean any Award granted pursuant to this Plan of Common Stock, rights based upon, payable in or otherwise related to shares of Common Stock (including Restricted Stock) or cash, as the Committee may determine, at the end of a specified Performance Period established by the Committee and may include, without limitation, Performance Shares or Performance Units.

2.29 “Performance Goal” shall mean any goal established by the Committee or its designee that must be satisfied before a Performance Award will be payable to the recipient of the Award. With respect to a Performance Measure selected by the Committee for purposes of

---

complying with Section 162(m) of the Code, "Performance Goal" shall mean the specific target that must be met before a Performance Award subject to Section 162(m) of the Code will be payable to the recipient of the Award.

2.30 "Performance Measure" shall mean each of the business criteria the Company may use in establishing a Performance Goal. For purposes of the Plan, Performance Measures are limited to earnings per share; return on assets; return on equity; return on capital; net profit after taxes; net profit before taxes; operating profits; stock price; sales or expenses; and "EBITDA," which means earnings before interest, taxes, depreciation and amortization, or as the definition of such term may be modified from time to time by the Company.

2.31 "Performance Period" shall mean the period established by the Committee at the time any Award is granted or at any time thereafter over which a Performance Goal specified by the Committee with respect to such Award will be measured.

2.32 "Plan" means this Powell Industries, Inc. 2006 Equity Compensation Plan, as set forth herein and as it may be amended from time to time.

2.33 "Regulation S-K" means Regulation S-K promulgated under the Securities Act, as it may be amended from time to time, and any successor to Regulation S-K. Reference in the Plan to any item of Regulation S-K shall be deemed to include any amendments or successor provisions to such item.

2.34 "Reporting Participant" means a Participant who is subject to the reporting requirements of Section 16 of the Exchange Act.

2.35 "Restriction Period" means the period during which the Common Stock under a Restricted Stock Award is nontransferable and subject to "Forfeiture Restrictions" as defined in Section 6.5 of this Plan and set forth in an Award Agreement

2.36 "Restricted Stock" means shares of Common Stock issued or transferred to a Participant pursuant to Section 6.5 of this Plan that are subject to restrictions or limitations set forth in this Plan and in an Award Agreement.

2.37 "Retirement" means the termination of employment of an Employee of the Company or any Affiliate, other than discharge for Cause, on or after age 60 if the Employee has five (5) years of Continuous Service or on or after age 62 regardless of the Employee's years of Continuous Service.

2.38 "SAR" means the right to receive a payment in shares of Common Stock, at the discretion of the Committee, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the SAR is exercised over the SAR Price for such shares.

2.39 "SAR Price" means the Fair Market Value of each share of Common Stock covered by an SAR, determined on the Date of Grant of the SAR.

2.40 "Securities Act" means the Securities Act of 1933, as amended, and any successor statute. Reference in the Plan to any section of the Securities Act shall be deemed to include any

---

amendments or successor provisions to such section and any rules and regulations relating to such section.

2.41 “Stock Option” means a stock option granted pursuant to the Plan to purchase a specified number of shares of Common Stock, whether granted as an Incentive Stock Option or as a Non-Qualified Stock Option.

2.42 “Ten Percent Shareholder” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) at the time an Option is granted stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

2.43 “Termination of Service” occurs when a Participant who is an Employee of the Company or any of its Affiliates shall cease to serve as an Employee of the Company or such Affiliate or Affiliates, for any reason.

### **ARTICLE 3 ADMINISTRATION**

The Plan shall be administered by the Committee. The Committee shall determine and designate from time to time the eligible persons to whom Awards will be granted and shall set forth in each related Award Agreement the Award Period, the Date of Grant, and such other terms, provisions, limitations and performance requirements including the Performance Measure, Performance Goal and Performance Period applicable to any Performance Award, as are approved by the Committee, but not inconsistent with the Plan. The Committee shall determine whether an Award shall include a single type of Incentive, two or more types of Incentive granted in combination, or two or more types of Incentive granted in tandem (that is, a joint grant where exercise of one Incentive results in cancellation of all or a portion of the other Incentive).

The Committee, in its discretion, shall (i) interpret the Plan, (ii) prescribe, amend and rescind any rules and regulations necessary or appropriate for the administration of the Plan and (iii) make such other determinations and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination or other action made or taken by the Committee shall be final, binding and conclusive on all interested parties.

With respect to restrictions in the Plan that are based on the rules of any exchange or inter-dealer quotation system upon which the Company’s securities are listed or quoted, or any other applicable law, rule or restriction, to the extent that any such restrictions are no longer required by applicable law, the Committee shall have the sole discretion and authority to prescribe terms for Restricted Stock Awards that are not subject to such mandated restrictions and/or to waive any such mandated restrictions with respect to outstanding Restricted Stock Awards.

Notwithstanding the foregoing, all rights and powers reserved to the Committee under this Article 3 may also be exercised by the Board.

---

**ARTICLE 4**  
**ELIGIBILITY**

Any Employee (including an Employee who is also a Director or an Officer) or Consultant is eligible to participate in the Plan; *provided, however, that only Employees shall be eligible to receive Incentive Stock Options.* The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee or Consultant.

A Participant may be granted more than one Award and Awards may be granted by the Committee at any time and from time to time to new Participants, or to Participants already participating in the Plan, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees or Consultants, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Employees and Consultants who receive, or are eligible to receive, Awards under the Plan.

**ARTICLE 5**  
**SHARES SUBJECT TO PLAN**

Subject to adjustment as provided in Articles 13 and 14, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan shall not exceed **750,000**. The following shares of Common Stock related to Awards will be available for issuance again under the Plan:

- (a) Common Stock related to Awards settled in cash;
- (b) Common Stock related to Awards that expire, are forfeited or cancelled or terminate for any other reason without the issuance of the Common Stock;
- (c) During the first ten (10) years of the Plan, Common Stock equal in number to the shares of Common Stock surrendered in payment of the exercise price of an Option; and
- (d) Common Stock tendered or withheld in order to satisfy withholding tax obligations.

Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company will at all times reserve and keep available a number of shares of Common Stock sufficient to satisfy the requirements of this Plan.

---

**ARTICLE 6**  
**GRANT OF AWARDS**

6.1 General. The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the type of Award or Awards being granted, the total number of shares of Common Stock subject to the Award(s), the Option Price (if applicable), the Restriction Period (if applicable), the Award Period, the Date of Grant and such other terms, provisions, limitations and Performance Measures as are approved by the Committee, but not inconsistent with the Plan. The Company shall execute an Award Agreement with a Participant after the Committee approves the issuance of an Award. Any Award granted pursuant to this Plan must be granted within ten (10) years of the date of adoption of this Plan. The Plan shall be submitted to the Company's stockholders for approval. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan.

Each Award Agreement shall be in such form and shall contain such terms and conditions, as the Committee shall deem appropriate. The terms and conditions of such Award Agreements may change from time to time, and the terms and conditions of separate Award Agreements need not be identical, but each such Award Agreement shall be subject to the terms and conditions of this Article 6.

If the Committee establishes a purchase price for an Award, the Participant must accept such Award within a period of thirty (30) days (or such shorter period as the Committee may specify) after the Date of Grant by executing the applicable Award Agreement and paying such purchase price.

6.2 Maximum Individual Grants. No Participant may receive during any fiscal year of the Company Awards covering an aggregate of more than One Hundred Thousand (100,000) shares of Common Stock.

6.3 Terms And Conditions of Restricted Stock Awards

(a) General. The Committee may grant Restricted Stock Awards to any Employee or Consultant for such minimum consideration, if any, as may be required by applicable law or such greater consideration as may be determined by the Committee. The Company shall execute an Award Agreement specifying the terms and conditions of the Restricted Stock Award with a Participant after the issuance of a Restricted Stock Award.

(b) Forfeiture Restrictions. Shares of Common Stock that are the subject of a Restricted Stock Award shall be subject to restrictions on disposition by the Grantee and to an obligation of the Grantee to forfeit and surrender the shares to the Company under certain circumstances ("Forfeiture Restrictions"). The Forfeiture Restrictions shall be determined by the Committee, in its sole discretion, and the Committee may provide that the Forfeiture Restrictions shall lapse on the passage of time or the occurrence of such other event or events determined to be appropriate by the Committee. The Forfeiture

---

Restrictions applicable to a particular Restricted Stock Award (which may differ from any other such Restricted Stock Award) shall be stated in the Award Agreement.

(c) **Restricted Stock Awards.** At the time any Restricted Stock Award is granted under the Plan, the Company and the Grantee shall enter into an Award Agreement setting forth the Forfeiture Restrictions, the vesting schedule (which may be based on service, attainment of one or more pre-established Performance Goals, or other factors) and rights to acceleration of vesting (including without limitation whether non-vested shares are forfeited or vested upon termination of employment). Further, the Committee may grant Performance Awards consisting of Restricted Stock by conditioning the grant, or vesting or such other factors, such as the release, expiration or lapse of restrictions of any such Award (including the acceleration of any such conditions or terms) upon the attainment of specified Performance Goals or such other factors as the Committee may determine. Shares of Common Stock awarded pursuant to a Restricted Stock Award shall be represented by a stock certificate registered in the name of the Grantee of such Restricted Stock Award or by a book entry account with the Company's transfer agent. The Grantee shall have the right to receive dividends with respect to the shares of Common Stock subject to a Restricted Stock Award; provided, however, that, at the discretion of the Committee, any such dividends shall be credited to an account for the benefit of the Grantee. If any dividends related to a Restricted Stock Award are credited to an account for the benefit of a Grantee and the Grantee forfeits any or all of a Restricted Stock Award, the Grantee shall have no further rights with respect to such Restricted Stock Award, and shall forfeit any dividends credited to the account for the Grantee's benefit which are related to the portion of the Restricted Stock Award which was forfeited. To the extent the Forfeiture Restrictions lapse with respect to all or apportion of a Restricted Stock Award, all dividends, if any, credited to the account for the benefit of Grantee shall be used, to the extent necessary, to satisfy any applicable federal, state and local income and employment tax withholding obligations as described in Section 6.3(i) of the Plan. The Grantee shall have the right to vote the shares of Common Stock subject to a Restricted Stock Award and to enjoy all other stockholder rights with respect to the shares of Common Stock subject thereto, except that, unless provided otherwise in the Award Agreement, (i) the Grantee shall not be entitled to delivery of the certificate representing the Restricted Stock until the Forfeiture Restrictions have expired, (ii) the Company or an escrow agent shall retain custody of the certificate representing such shares (or such shares shall be held in a book entry account with the Company's transfer agent) until the Forfeiture Restrictions have expired, (iii) the Grantee may not sell, transfer, pledge, exchange, hypothecate or otherwise dispose of the Restricted Stock until the Forfeiture Restrictions have expired and (iv) a breach of the terms and conditions established by the Committee pursuant to the Award Agreement shall cause a forfeiture of the Restricted Stock Award. At the time of such Restricted Stock Award, the Committee may, in its sole discretion, prescribe additional terms, conditions or restrictions relating to the Restricted Stock Award, including rules pertaining to the Grantee's Termination of Service before expiration of the Forfeiture Restrictions. Such additional terms, conditions or restrictions shall also be set forth in the Award Agreement made in connection with the Restricted Stock Award. The forfeiture of any or all of the Common Stock that is the subject of a Restricted Stock Award shall

---

not invalidate any votes given by the Grantee with respect to such Common Stock prior to forfeiture.

(d) Restriction Period. The Restriction Period for a Restricted Stock Award shall commence on the Date of Grant of the Restricted Stock Award and, unless otherwise established by the Committee and stated in the Award Agreement, shall expire upon satisfaction of the conditions set forth in the Award Agreement pursuant to which the Forfeiture Restrictions will lapse. The Committee may, in its sole discretion, accelerate the Restriction Period for all or a part of a Restricted Stock Award unless to do would jeopardize the deductibility of any such Performance Award pursuant to Section 162(m) of the Code.

(e) Securities Restrictions. The Committee may impose other conditions on any shares of Common Stock subject to a Restricted Stock Award as it may deem advisable, including (i) restrictions under applicable state or federal securities laws and (ii) the requirements of any stock exchange or national market system upon which shares of Common Stock are then listed or quoted.

(f) Payment for Restricted Stock. The Committee shall determine the amount and form of any payment for shares of Common Stock received pursuant to a Restricted Stock Award. If no such determination is made, the Grantee shall not be required to make any payment for shares of Common Stock received pursuant to a Restricted Stock Award, except to the extent otherwise required by law.

(g) Forfeiture of Restricted Stock. Unless otherwise stated in the particular Award Agreement, on Grantee's Termination of Service during the Restriction Period, the Restricted Stock still subject to the Forfeiture Restrictions contained in the Restricted Stock Award shall be forfeited by the Grantee. Upon any forfeiture, all rights of the Grantee with respect to the forfeited Restricted Stock subject to the Restricted Stock Award shall cease and terminate, without any further obligation on the part of the Company, except that, if so provided in the Award Agreement applicable to the Restricted Stock Award, the Company shall repurchase the Restricted Stock forfeited for the purchase price per share paid by the Grantee. The Committee will have discretion to determine the date of the Grantee's Termination of Service. Each Award Agreement shall require that (i) the Grantee, by his or her acceptance of the Restricted Stock Award, shall irrevocably grant to the Company a power of attorney to transfer any shares so forfeited to the Company and agrees to execute any documents requested by the Company in connection with such forfeiture and transfer, and (ii) such provisions regarding transfers of forfeited Restricted Stock shall be specifically performable by the Company in a court of equity or law.

(h) Lapse of Forfeiture Restrictions in Certain Events; Committee's Discretion. Notwithstanding the provisions of this Section 6.3(h) or any other provision in the Plan to the contrary, the Committee may, on account of the Grantee's Retirement, death or Disability or otherwise, in its discretion and as of a date determined by the Committee, fully vest any or all Restricted Stock awarded to the Grantee pursuant to a Restricted Stock Award, and upon such vesting, all Forfeiture Restrictions applicable to

---

such Restricted Stock Award shall lapse or terminate. The Committee shall have discretion to determine whether a Grantee's Termination of Service was as a result of a Grantee's Retirement, death or Disability. Any action by the Committee pursuant to this Section 6.3(h) may vary among individual Grantees and may vary among the Restricted Stock Awards held by any individual Grantee.

(i) Withholding Taxes. The Committee may establish such rules and procedures as it considers desirable in order to satisfy any obligation of the Company to withhold applicable federal, state and local income and employment taxes with respect to the lapse of Forfeiture Restrictions applicable to Restricted Stock Awards. Before delivery of shares of Restricted Stock upon the lapse of Forfeiture Restrictions applicable to a Restricted Stock Award, the Grantee shall pay or make adequate provision acceptable to the Committee for the satisfaction of all tax withholding obligations of the Company.

(j) Rights and Obligations of Grantee. One or more stock certificates representing shares of Common Stock, free of Forfeiture Restrictions, shall be delivered to the Grantee promptly after, and only after, the Forfeiture Restrictions have expired and Grantee has satisfied all applicable federal, state and local income and employment tax withholding requirements.

6.4 Terms And Conditions of Options. The Committee may grant Stock Options alone or in addition to other Awards granted pursuant to this Plan to any Employee or Consultant. The Committee shall determine (a) whether each Stock Option shall be granted as an Incentive Stock Option or a Non-Qualified Stock Option and (b) the provisions, terms and conditions of each Stock Option including, but not limited to, the vesting schedule, the number of shares of Common Stock subject to the Stock Option, the exercise price of the Stock Option, the period during which the Stock Option may be exercised, repurchase provisions, forfeiture provisions, methods of payment, and all other terms and conditions of the Stock Option, subject to the following:

(a) Form of Stock Option Grant. Each Stock Option granted under the Plan shall be evidenced by a written Award Agreement in such form (which need not be the same for each Optionee) as the Committee, or if applicable the Chief Executive Officer, from time to time approves, but which is not inconsistent with the Plan, including any provisions that may be necessary to assure that any Stock Option that is intended to be an Incentive Stock Option will comply with Section 422 of the Code.

(b) Date of Grant. The Date of Grant of a Stock Option will be the date on which the Committee makes the determination to grant such Stock Option unless otherwise specified by the Committee. The Award Agreement evidencing the Stock Option will be delivered to the Optionee with a copy of the Plan and other relevant Stock Option documents, within a reasonable time after the Date of Grant.

(c) Exercise Price. The exercise price of a Stock Option shall be not less than 100% of the Fair Market Value of a share of the Common Stock on the Date of Grant of the Stock Option. The exercise price of any Incentive Stock Option granted to a Ten

---

Percent Shareholder shall not be less than 110% of the Fair Market Value of a share of Common Stock on the Date of Grant of the Stock Option.

(d) Exercise Period. Stock Options shall be exercisable within the time or times or upon the event or events determined by the Committee and set forth in the Award Agreement; *provided, however, that* no Stock Option shall be exercisable later than the day before the expiration of ten (10) years from the Date of Grant of the Stock Option, and *provided further that* no Incentive Stock Option granted to a Ten Percent Shareholder shall be exercisable after the expiration of five (5) years from the Date of Grant of the Stock Option.

(e) Limitations on Incentive Stock Options. The aggregate Fair Market Value (determined as of the Date of Grant of a Stock Option) of Common Stock which any Employee is first eligible to purchase during any calendar year by exercise of Incentive Stock Options granted under the Plan and by exercise of incentive stock options (within the meaning of Section 422 of the Code) granted under any other incentive stock option plan of the Company or an Affiliate shall not exceed \$100,000. If the Fair Market Value of stock with respect to which all incentive stock options described in the preceding sentence held by any one Optionee are exercisable for the first time by such Optionee during any calendar year exceeds \$100,000, the Stock Options that are intended to be Incentive Stock Options on the Date of Grant thereof for the first \$100,000 worth of shares of Common Stock to become exercisable in such year shall be deemed to constitute incentive stock options within the meaning of Section 422 of the Code and the Stock Options that are intended to be Incentive Stock Options on the Date of Grant thereof for the shares of Common Stock in the amount in excess of \$100,000 that become exercisable in that calendar year shall be treated as Non-Qualified Stock Options. If the Code or the Treasury regulations promulgated thereunder are amended after the effective date of the Plan to provide for a different limit than the one described in this Section 6.4(e), such different limit shall be incorporated herein and shall apply to any Stock Options granted after the effective date of such amendment.

(f) Acquisitions and Other Transactions. The Committee may, from time to time, assume outstanding options granted by another entity, whether in connection with an acquisition of such other entity or otherwise, by either (i) granting a Stock Option under the Plan in replacement of or in substitution for the option assumed by the Company, or (ii) treating the assumed option as if it had been granted under the Plan if the terms of such assumed option could be applied to a Stock Option granted under the Plan. Such assumption shall be permissible if the holder of the assumed option would have been eligible to be granted a Stock Option hereunder if the other entity had applied the rules of this Plan to such grant. The Committee also may grant Stock Options under the Plan in settlement of or substitution for outstanding options or obligations to grant future options in connection with the Company or an Affiliate acquiring another entity, an interest in another entity or an additional interest in an Affiliate whether by merger, stock purchase, asset purchase or other form of transaction. Notwithstanding the foregoing provisions of this Section 6.4, in the case of a Stock Option issued or assumed pursuant to this Section 6.4(f), the exercise price for the Stock Option shall be determined

---

in accordance with the principles of Section 424(a) of the Code and the Treasury regulations promulgated thereunder.

#### 6.5 Exercise of Stock Options.

(a) Notice. Stock Options may be exercised only by delivery to the Company of a written exercise notice approved by the Committee (which need not be the same for each Optionee), stating the number of shares of Common Stock being purchased, the method of payment, and such other matters as may be deemed appropriate by the Company in connection with the issuance of shares of Common Stock upon exercise of the Stock Option, together with payment in full of the exercise price for the number of shares of Common Stock being purchased. Such exercise notice may be part of an Optionee's Award Agreement.

(b) Early Exercise. An Award Agreement may, but need not, include a provision that permits the Optionee to elect at any time while an Employee or Consultant, to exercise any part or all of the Stock Option before full vesting of the Stock Option. Any unvested shares of Common Stock received pursuant to such exercise may be subject to a repurchase right in favor of the Company or an Affiliate or to any other restriction the Committee determines to be appropriate.

(c) Payment. Payment for the shares of Common Stock to be purchased upon exercise of a Stock Option may be made in cash (by check) or, if elected by the Optionee, in one or more of the following methods as may be stated in the Award Agreement (at the Date of Grant with respect to any Stock Option granted as an Incentive Stock Option) and where permitted by law: (i) if a public market for the Common Stock exists, through a "same day sale" arrangement between the Optionee and a broker-dealer that is a member of the National Association of Securities Dealers, Inc. (an "NASD Dealer") whereby the Optionee elects to exercise the Stock Option and to sell a portion of the shares of Common Stock so purchased to pay for the exercise price and whereby the NASD Dealer commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company; (ii) if a public market for the Common Stock exists, through a "margin" commitment from the Optionee and an NASD Dealer whereby the Optionee elects to exercise the Stock Option and to pledge the shares of Common Stock so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer commits upon receipt of such shares of Common Stock to forward the exercise price directly to the Company; (iii) by surrender for cancellation of shares of Common Stock at the Fair Market Value per share at the time of exercise if such surrender does not result in an accounting charge for the Company; (iv) where approved by the Committee at the time of exercise, by delivery of the Optionee's promissory note with such recourse, interest, security, redemption and other provisions as the Committee may require, subject to payment in cash of the aggregate par value of the shares of Common Stock to be purchased; or (v) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. No shares of Common Stock may be issued until full payment of the purchase price therefor has been made. The payment options provided in Section 6.5(c)(i), (ii), or (iv) above shall not be available to any Optionee who is a

---

Director or executive officer of the Company or any Affiliate if such payment option would be treated as a personal loan prohibited under Section 13(k) of the Exchange Act.

Upon payment of all amounts due from the Participant, the Company shall cause certificates for the Common Stock then being purchased to be delivered as directed by the Participant (or the person exercising the Participant's Stock Option in the event of his death) at its principal business office promptly after the Exercise Date. If the Participant has exercised an Incentive Stock Option, the Company may at its option retain physical possession of the certificate evidencing the shares acquired upon exercise until the expiration of the holding periods described in Section 422(a)(1) of the Code. The obligation of the Company to deliver shares of Common Stock shall, however, be subject to the condition that if at any time the Committee shall determine in its discretion that the listing, registration or qualification of the Stock Option or the Common Stock upon any securities exchange or inter-dealer quotation system or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the Stock Option or the issuance or purchase of shares of Common Stock thereunder, the Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

If the Participant fails to pay for any of the Common Stock specified in such notice or fails to accept delivery thereof, the Participant's right to purchase such Common Stock may be terminated by the Company.

(d) Withholding Taxes. The Committee may establish such rules and procedures as it considers desirable in order to satisfy any obligation of the Company to withhold the statutory prescribed minimum amount of federal or state income taxes or other taxes with respect to the exercise of any Stock Option granted under the Plan. Before issuance of the shares of Common Stock upon exercise of a Stock Option, the Optionee shall pay or make adequate provision acceptable to the Committee for the satisfaction of the statutory prescribed minimum amount of any federal or state income or other tax withholding obligations of the Company, if applicable. Upon exercise of a Stock Option, the Company shall withhold or collect from the Optionee an amount sufficient to satisfy such tax withholding obligations.

(e) Exercise of Stock Option Following Termination of Continuous Service.

(1) A Stock Option may not be exercised after the expiration date of such Stock Option set forth in the Award Agreement and may be exercised following the termination of an Optionee's Continuous Service only to the extent provided in the Award Agreement.

(2) Where the Award Agreement permits an Optionee to exercise a Stock Option following the termination of the Optionee's Continuous Service for a specified period, the Stock Option shall terminate to the extent not exercised on the last day of the specified period or the last day of the original term of the Stock Option, whichever occurs first.

---

(3) Any Stock Option designated as an Incentive Stock Option, to the extent not exercised within the time permitted by law for the exercise of Incentive Stock Options following the termination of an Optionee's Continuous Service, shall convert automatically to a Non-Qualified Stock Option and thereafter shall be exercisable as a Non-Qualified Stock Option to the extent exercisable by its terms for the period specified in the Award Agreement.

(4) The Committee shall have discretion to determine whether the Continuous Service of an Optionee has terminated and the effective date on which such Continuous Service terminates and whether the Optionee's Continuous Service terminated as a result of the Disability of the Optionee.

(5) Notwithstanding the forgoing, all Stock Options which have not been previously exercised will be forfeited if an Optionee is terminated for Cause.

(f) Limitations on Exercise.

(1) The Committee may specify a reasonable minimum number of shares of Common Stock or a percentage of the shares subject to a Stock Option that may be purchased on any exercise of a Stock Option. Such minimum number shall not prevent Optionee from exercising the full number of shares of Common Stock as to which the Stock Option is then exercisable.

(2) The obligation of the Company to issue any shares of Common Stock pursuant to the exercise of any Stock Option shall be subject to the condition that such exercise and the issuance and delivery of such shares pursuant thereto comply with the Securities Act, all applicable state securities laws and the requirements of any stock exchange or national market system upon which the shares of Common Stock may then be listed or quoted, as in effect on the date of exercise. The Company shall be under no obligation to register the shares of Common Stock with the Securities and Exchange Commission or to effect compliance with the registration, qualification or listing requirements of any state securities laws or stock exchange or national market system, and the Company shall have no liability for any inability or failure to do so.

(3) As a condition to the exercise of a Stock Option, the Company may require the person exercising such Stock Option to represent and warrant at the time of any such exercise that the shares of Common Stock are being purchased only for investment and without any present intention to sell or distribute such shares of Common Stock if, in the opinion of counsel for the Company, such a representation is required by any securities or other applicable laws.

(g) Modification, Extension And Renewal of Stock Options. The Committee shall have the power to modify, cancel, extend or renew outstanding Stock Options and to authorize the grant of new Stock Options and/or Restricted Stock Awards in substitution therefor (regardless of whether any such action would be treated as a repricing for

---

financial accounting or other purposes), provided that (except as permitted by Section 11 of this Plan) any such action may not, without the written consent of any Optionee, impair any rights under any Stock Option previously granted to such Optionee. Any outstanding Incentive Stock Option that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code.

(h) Privileges of Stock Ownership. No Optionee will have any of the rights of a shareholder with respect to any shares of Common Stock subject to a Stock Option until such Stock Option is properly exercised and the purchased shares are issued and delivered to the Optionee, as evidenced by an appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. No adjustment shall be made for dividends or distributions or other rights for which the record date is prior to such date of issuance and delivery, except as provided in the Plan.

#### 6.6 Stock Appreciation Rights.

(a) Grants. The Committee or the Board may grant to any eligible Employee or Consultant a stand-alone Stock Appreciation Right or a Stock Appreciation Right issued in tandem with a Stock Option. Stock Appreciation Rights shall be subject to such terms and conditions as the Committee or the Board shall impose. The grant of the Stock Appreciation Right may provide that the holder will be paid for the value of the Stock Appreciation Right either in cash or in shares of Common Stock, or a combination thereof, at the sole discretion of the Committee or the Board. In the event of the exercise of a Stock Appreciation Right payable in shares of Common Stock, the holder of the Stock Appreciation Right shall receive that number of whole shares of Common Stock having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) either (a) in the case of a Stock Appreciation Right issued in tandem with a Stock Option, the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the exercise price per share of the related Stock Option, or (b) in the case of a stand-alone Stock Appreciation Right, the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the Fair Market Value of a share of Common Stock on the date of the grant of the Stock Appreciation Right by (ii) the number of shares of Common Stock with respect to which the Stock Appreciation Right is exercised. However, notwithstanding the foregoing, the Committee or the Board, in its sole discretion, may place a ceiling on the amount payable upon exercise of a Stock Appreciation Right, but any such limitation shall be specified at the time that the Stock Appreciation Right is granted.

(b) Exercisability. A Stock Appreciation Right granted in tandem with an Incentive Stock Option (i) may be exercised at, and only at, the times and to the extent the related Incentive Stock Option is exercisable, (ii) will expire upon the termination or expiration of the related Incentive Stock Option, (iii) may not result in a Participant realizing more than 100% of the difference between the exercise price of the related Incentive Stock Option and the Fair Market Value of the shares of Common Stock subject to the related Incentive Stock Option at the time the Stock Appreciation Right is exercised, and (iv) may be exercised at, and only at, such times as the Fair Market Value of the shares of Common Stock subject to the related Incentive Stock Option exceeds the

---

exercise price of the related Incentive Stock Option. A Stock Appreciation Right granted in tandem with a Non-Qualified Stock Option will be exercisable as provided by the Committee or the Board and will have such other terms and conditions as the Committee or the Board may determine. A Stock Appreciation Right may be transferred at, and only at, the times and to the extent the related Stock Option is transferable. If a Stock Appreciation Right is granted in tandem with a Stock Option, there shall be surrendered and cancelled from the related Stock Option at the time of exercise of the Stock Appreciation Right, in lieu of exercise pursuant to the related Stock Option, that number of shares of Common Stock as shall equal the number of shares of Common Stock as to which the tandem Stock Appreciation Right shall have been exercised.

(c) Certain Limitations on Non-Tandem Stock Appreciation Rights. A stand-alone Stock Appreciation Right will be exercisable as provided by the Committee or the Board and will have such other terms and conditions as the Committee or the Board may determine. A stand-alone Stock Appreciation Right is subject to acceleration of vesting or immediate termination in certain circumstances in the same manner as Stock Options pursuant to Subsections 6.5 and 6.6 of this Plan.

(d) Limited Stock Appreciation Rights. The Committee and the Board may grant Stock Appreciation Rights which will become exercisable only upon the occurrence of a Change in Control or such other event as the Committee or the Board may designate at the time of grant or thereafter. Such a Stock Appreciation Right may be issued either as a stand-alone Stock Appreciation Right or in tandem with a Stock Option.

(e) Method of Exercise. Subject to the conditions of this Section 6.6(b) and such administrative regulations as the Committee may from time to time adopt, a Stock Appreciation Right may be exercised by the delivery (including by fax) of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the Stock Appreciation Right is to be exercised and the date of exercise thereof ("Exercise Date") which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. On the Exercise Date, the Participant shall receive from the Company in exchange therefor the amount set forth in Section 6.6(a) above.

#### 6.7 Terms and Conditions of Performance Awards

(a) General. A Performance Award may consist of either or both, as the Committee may determine, of (a) the right to receive shares of Common Stock of the Company or Restricted Stock or any combination thereof as the Committee may determine or (b) the right to receive a fixed dollar amount payable in shares of Common Stock of the Company, Restricted Stock, cash or any combination thereof, as the Committee may determine. The Committee may grant Performance Awards to any Employee or Consultant for such minimum consideration, if any, as may be required by applicable law or such greater consideration as may be determined by the Committee in its sole discretion. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the Performance Period, the Performance Measure to be used to determine whether a Performance Goal for a

---

Performance Period has been achieved, the criteria used to determine vesting (including the acceleration thereof), whether Performance Awards are forfeited or vest upon termination of employment during a Performance Period and the maximum or minimum settlement values. Each Performance Award shall have its own terms and conditions, which shall be determined by the Committee in its sole discretion. If the Committee in its sole discretion determines that the established Performance Measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure or for other reasons that the Committee deems satisfactory, the Committee may modify the Performance Measures or objectives and/or the Performance Period unless to do would jeopardize the deductibility of any such Performance Award pursuant to Section 162(m) of the Code. Except to the extent otherwise specified by the Committee, Performance Awards are subject to acceleration of vesting, termination of restrictions and termination in the same manner as Stock Options.

(b) Performance Measures. Performance Awards may be valued by reference to the Fair Market Value of a share of Common Stock or according to any other formula or method deemed appropriate by the Committee, including without limitation achievement of specific Performance Measure that the Committee believes relevant or the Company's performance or the performance of the Common Stock measured against the performance of the market, the Company's industry segment or its direct competitors. Performance Awards may also be conditioned upon the applicable Participant remaining in the employ of the Company for a specified period. Performance Awards may be paid in cash, shares of Common Stock (including Restricted Stock) or other consideration or any combination thereof. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective or objectives, all at the sole discretion of the Committee. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee in its sole discretion.

6.8 Tandem Awards. The Committee may grant two or more Incentives in one Award in the form of a "tandem award," so that the right of the Participant to exercise one Incentive shall be canceled if, and to the extent, the other Incentive is exercised. For example, if a Stock Option and a SAR are issued in a tandem Award, and the Participant exercises the SAR with respect to 100 shares of Common Stock, the right of the Participant to exercise the related Stock Option shall be canceled to the extent of 100 shares of Common Stock.

6.9 Disqualifying Disposition of ISO. If shares of Common Stock acquired upon exercise of an Incentive Stock Option are disposed of by a Participant before the expiration of either two (2) years from the Date of Grant of such Stock Option or one (1) year from the transfer of shares of Common Stock to the Participant pursuant to the exercise of such Stock Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a Participant shall not affect the status of any other Stock Option granted under the Plan as an Incentive Stock Option within the meaning of Section 422 of the Code.

---

**ARTICLE 7  
AMENDMENT OR DISCONTINUANCE**

Subject to the limitations set forth in this Article 7, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; *provided, however, that* no amendment which requires stockholder approval in order for the Plan and Incentives awarded under the Plan to continue to comply with Section 162(m) of the Code, including any successors to such Section, shall be effective unless such amendment shall be approved by the requisite vote of the stockholders of the Company entitled to vote thereon. Any such amendment shall, to the extent deemed necessary or advisable by the committee, be applicable to any outstanding Incentives theretofore granted under the Plan, notwithstanding any contrary provisions contained in any stock option agreement. In the event of any such amendment to the Plan, the holder of any Incentive outstanding under the Plan shall, upon request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this Article 7 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Incentive theretofore granted under the Plan without the consent of the affected Participant.

**ARTICLE 8  
TERM**

The Plan shall be effective from the date that this Plan is approved by the Board, subject to approval of the stockholders of the Company. Unless sooner terminated by action of the Board, the Plan will terminate on December 31, 2016, but Incentives granted before that date will continue to be effective in accordance with their terms and conditions.

**ARTICLE 9  
CAPITAL ADJUSTMENTS**

If at any time while the Plan is in effect, or Incentives are outstanding, there shall be any increase or decrease in the number of issued and outstanding shares of Common Stock resulting from (1) the declaration or payment of a stock dividend, (2) any recapitalization resulting in a stock split-up, combination, or exchange of shares of Common Stock or (3) other increase or decrease in such shares of Common Stock effected without receipt of consideration by the Company, then and in such event:

(a) An appropriate adjustment shall be made in the maximum number of shares of Common Stock then subject to being awarded under the Plan and in the maximum number of shares of Common Stock that may be awarded to a Participant to the end that the same proportion of the Company's issued and outstanding shares of Common Stock shall continue to be subject to being so awarded.

---

(b) Appropriate adjustments shall be made in the number of shares of Common Stock and the Option Price thereof then subject to purchase pursuant to each such Stock Option previously granted and unexercised, to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each such instance shall remain subject to purchase at the same aggregate Option Price.

(c) Appropriate adjustments shall be made in the number of SARs and the price thereof then subject to exercise pursuant to each such SAR previously granted and unexercised, to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate price.

(d) Appropriate adjustments shall be made in the number of outstanding shares of Restricted Stock with respect to which restrictions have not yet lapsed before any such change.

Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to (i) the number of or Option Price of shares of Common Stock then subject to outstanding Stock Options granted under the Plan, (ii) the number of or SAR Price of SARs then subject to outstanding SARs granted under the Plan or (iii) the number of outstanding shares of Restricted Stock.

Upon the occurrence of each event requiring an adjustment with respect to any Incentive, the Company shall communicate by reasonable means intended to reach to each affected Participant its computation of such adjustment which shall be conclusive and shall be binding upon each such Participant.

**ARTICLE 10**  
**RECAPITALIZATION, MERGER AND CONSOLIDATION;**  
**CHANGE IN CONTROL**

10.1 Authority. The existence of this Plan and Incentives granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure and its business, or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

10.2 Adjustment upon Merger. Subject to any required action by the stockholders, if the Company shall be the surviving or resulting corporation in any merger, consolidation or

---

share exchange, any Incentive granted hereunder shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of Common Stock subject to the Incentive would have been entitled. In the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the unexercised portions of such outstanding Incentives, that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of Common Stock held by them, such outstanding Incentives to be thereafter exercisable for such stock, securities, cash, or property in accordance with their terms. Notwithstanding the foregoing, however, all such Incentives may be canceled by the Company as of the effective date of any such reorganization, merger, consolidation, share exchange or any dissolution or liquidation of the Company by giving notice to each holder thereof or his personal representative of its intention to do so and by permitting the purchase during the thirty (30) day period next preceding such effective date of all of the shares of Common Stock subject to such outstanding Incentives.

10.3 Change of Control. Upon the occurrence of a Change of Control, then, notwithstanding any other provision in this Plan to the contrary, all unmaturing installments of Incentives outstanding shall thereupon automatically be accelerated and exercisable in full and all Restriction Periods applicable to Awards of Restricted Stock shall automatically expire. The determination of the Committee that any of the foregoing conditions in this Article 10 has been met shall be binding and conclusive on all parties.

## **ARTICLE 11 LIQUIDATION OR DISSOLUTION**

If the Company shall, at any time while any Incentive under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate or wind up its affairs, then each Participant shall be thereafter entitled to receive, in lieu of each share of Common Stock of the Company which such Participant would have been entitled to receive under an Incentive, pursuant to the terms of the Participant's Award Agreement as of the date the Company sells all or substantially all of its property, or dissolves, liquidates or winds up its affairs, the same kind and amount of any securities or assets as may be issuable, distributable or payable upon any such sale, dissolution, liquidation or winding up with respect to each share of Common Stock of the Company. If the Company shall, at any time before the expiration of any Incentive, make any partial distribution of its assets, in the nature of a partial liquidation, whether payable in cash or in kind (but excluding the distribution of a cash dividend payable out of earned surplus and designated as such) then in such event the exercise price of outstanding Stock Options or price then in effect with respect to outstanding SARs shall be reduced, on the payment date of such distribution, in proportion to the percentage reduction in the tangible book value of the shares of the Company's Common Stock (determined in accordance with generally accepted accounting principles) resulting by reason of such distribution.

---

**ARTICLE 12**  
**INCENTIVES IN SUBSTITUTION FOR INCENTIVES**  
**GRANTED BY OTHER CORPORATION**

Incentives may be granted under the Plan from time to time in substitution for similar instruments held by employees of a corporation who become or are about to become management Employees of the Company or any of its Affiliates as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of stock of the employing corporation. The terms and conditions of the substitute Incentives so granted may vary from the terms and conditions set forth in this Plan to such extent as the Board at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Incentives in substitution for which they are granted.

**ARTICLE 13**  
**MISCELLANEOUS PROVISIONS**

13.1 Investment Intent. The Company may require that there be presented to and filed with it by any Participant under the Plan such evidence as it may deem necessary to establish that the Incentives granted or the shares of Common Stock to be purchased or transferred are being acquired for investment and not with a view to their distribution.

13.2 No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or an Affiliate, Options shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or an Affiliate, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

13.3 No Right to Continued Employment. Neither the Plan nor any Incentive granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

13.4 Indemnification of Board and Committee. No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company acting on their behalf shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination or interpretation.

13.5 Effect of the Plan. Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement, or any amendment thereto,

---

duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

13.6 Severability and Reformation. The Company intends all provisions of the Plan to be enforced to the fullest extent permitted by law. Accordingly, should a court of competent jurisdiction determine that the scope of any provision of the Plan is too broad to be enforced as written, the court should reform the provision to such narrower scope as it determines to be enforceable. If, however, any provision of the Plan is held to be wholly illegal, invalid or unenforceable under present or future law, such provision shall be fully severable and severed, and the Plan shall be construed and enforced as if such illegal, invalid or unenforceable provision were never a part hereof, and the remaining provisions of the Plan shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance.

13.7 Governing Law. The Plan shall be construed and interpreted in accordance with the laws of the State of Texas.

13.8 Code Section 83(b) Elections. Neither the Company nor any of its Affiliates have any responsibility for a Participant's election, attempt to elect or failure to elect to include the value of an Award subject to Section 83 in the Participant's gross income for the year of grant pursuant to Section 83(b) of the Code. Any Participant who makes an election pursuant to Section 83(b) will promptly provide the Committee with a copy of the election form.

13.9 Code Section 162(m). It is the intent of the Company that the Plan comply in all respects with Section 162(m) of the Code and that any ambiguities or inconsistencies in construction of the Plan be interpreted to give effect to such intention. If the Committee intends for a Performance Award or the Award of Restricted Stock Award to be granted and administered in a manner designed to preserve the deductibility of the resulting compensation in accordance with Section 162(m) of the Code, then the Performance Measure selected, the Performance Goal (in terms of an objective formula or standard pursuant to which a third party with knowledge of the relevant performance results could calculate the amount to be paid), the maximum number of shares of Common Stock that may be awarded, within the limit described in Section 6.2 hereof, and the Performance Period applicable to such Award shall be established in writing by the Committee no later than the earlier of (i) 90 days after the commencement of the relevant Performance Period and (ii) the date as of which 25% of the Performance Period has elapsed. At the time a Performance Goal is established, its outcome must be substantially uncertain. The Committee's discretion to modify or waive the Performance Goal related to the vesting of the Award may be restricted in order to comply with Section 162(m) of the Code.

13.10 Code Section 409A. It is the intent of the Company that no Award under the Plan be subject to Section 409A of the Code. The Committee shall design and administer the Awards under the Plan so that they are not subject to Section 409A of the Code.

13.11 Compliance With Other Laws and Regulations. Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Incentive if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental

---

authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the 1934 Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of shares of Common Stock under an Incentive, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of Incentives hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

#### 13.12 Tax Requirements.

(a) Whenever shares of Common Stock are to be issued under an Award of Restricted Stock or a Performance Award, or pursuant to the exercise of a Stock Option or Stock Appreciation Right, or other Award or cash is to be paid pursuant to the terms of the Plan, under circumstances in which the Company, or its designee, believes that any federal, state or local tax withholding may be imposed, the Company or Affiliate, as the case may be, shall have the right to require the Participant to remit to the Company or Affiliate, as the case may be, an amount sufficient to satisfy the minimum federal, state and local tax withholding requirements prior to the electronic transfer of ownership, the delivery of any certificate for shares of Common Stock, if applicable, or any proceeds; provided, however, that in the case of a Participant who receives an Award of Restricted Stock or a Performance Award under the Plan which remains subject to forfeiture restrictions or is not fully vested, the Participant shall remit such amount on the first business day following the Tax Date. The "Tax Date" for purposes of this Section 13.12 shall be the date on which the amount of tax to be withheld is determined. If a Participant makes a disposition of Common Stock acquired upon the exercise of an Incentive Stock Option within either two years after the Stock Option was granted or one year after its exercise by the Participant, the Participant shall promptly notify the Company and the Company shall have the right to require the Participant to pay to the Company an amount sufficient to satisfy federal, state and local tax withholding requirements.

(b) A Participant who is obligated to pay the Company an amount required to be withheld under applicable tax withholding requirements may pay such amount (i) in cash; (ii) in the discretion of the Committee, or its designee, through the delivery to the Company of previously-owned shares of Common Stock having an aggregate Fair Market Value on the Tax Date equal to the tax obligation provided that the previously owned shares of Common Stock delivered in satisfaction of the withholding obligations must have been held by the Participant for at least six (6) months; (iii) in the discretion of the Company, or its designee, through the Company's withholding shares of Common Stock otherwise issuable to the Participant having a Fair Market Value on the Tax Date equal to the amount of tax required to be withheld, or (iv) in the discretion of the Committee, or its designee, through a combination of the procedures set forth in subsections (i), (ii) and (iii) of this Section 13.12(b).

---

### 13.13 Assignability.

(a) Other than pursuant to a valid qualified domestic relations order as defined in Section 414(p) of the Code or Title I of ERISA, as provided in paragraph (b) of this Section 15.13, below, Incentive Stock Options may not be transferred or assigned other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant's legally authorized representative, and each Award agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a Beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this Section 13.13 that is not required for compliance with Section 422 of the Code. The Committee may, in its discretion, authorize all or a portion of a Non-Qualified Stock Option or SAR to be granted to a Participant to be on terms which permit transfer by such Participant to (i) the spouse, children or grandchildren of the Participant ("Immediate Family Members"), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, or (iii) a partnership in which such Immediate Family Members are the only partners, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision, or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (w) there shall be no consideration for any such transfer, (x) the Award Agreement pursuant to which such Non-Qualified Stock Option or SAR is granted must be approved by the Committee and must expressly provided for transferability in a manner consistent with this Section 13.13, (y) no such transfer shall be permitted if the Common Stock issuable under such transferred Stock Option would not be eligible to be registered on Form S-8 promulgated under the Securities Act, and (z) subsequent transfers of transferred Non-Qualified Stock Options or Stock Appreciation Rights shall be prohibited except those by will or the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in the Code or Title I of ERISA. Following transfer, any such Non-Qualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Section 6.5(c) or Section 6.6, as applicable, and Articles 7, 9, 10, 11, 12 and 13 hereof the term "Participant" shall be deemed to include the transferee. The events of a termination of service shall continue to be applied with respect to the original Participant, following which the Non-Qualified Stock Options and Stock Appreciation Rights shall be exercisable by the transferee only to the extent and for the periods specified in the original Award Agreement and applicable to the Participant. The Committee and the Company shall have no obligation to inform any transferee of a Non-Qualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Option. The Company shall have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Non-Qualified Stock Option or SAR that has been transferred by a Participant under this Section 13.13.

(b) Notwithstanding the foregoing, Stock Options and such other Awards as the Committee may determine may be transferred pursuant to a valid qualified domestic relations order as defined in Section 414(p) of the Code or Title I of ERISA pursuant to which a court has determined, in connection with a divorce proceeding, that a spouse or

---

former spouse of a Participant has an interest in the Participant's Award under the Plan. Any Incentive Stock Option transferred pursuant to this Section 13.13 shall cease to be an Incentive Stock Option on the date of such transfer and shall be treated for all purposes as a Non-Qualified Stock Option in the hands of the transferee. Following any such transfer each Award transferred shall continue to be subject to the same terms and conditions of the Plan and the Award agreement applicable to the Award immediately prior to transfer, provided that for all purposes under the Plan the term "Participant" shall be deemed to include the transferee. The effect a Termination of Service shall have on the exercisability of an Award with respect to the original Participant shall continue to apply to a transferee after a transfer pursuant to this Section 13.13, so that the Award transferred shall be exercisable by the transferee only to the extent and for the periods specified in the Plan, unless different periods are otherwise provided in a Participant's original Award agreement. The Committee and the Company shall have no obligation to inform any transferee of an Award of any expiration, termination, lapse or acceleration of such Award. The Company shall have no obligation to register with any federal or state securities commission or agency any Company Stock issuable or issued under an Award that has been transferred pursuant to this Section 13.13.

13.14 Interpretive Matters. Whenever required by the context, pronouns and any variation thereof shall be deemed to refer to the masculine, feminine, or neuter, and the singular shall include the plural, and visa versa. The term "include" or "including" does not denote or imply any limitation. The captions and headings used in the Plan are inserted for convenience and shall not be deemed a part of the Plan for construction or interpretation.

13.15 Use of Proceeds. Proceeds from the sale of shares of Common Stock pursuant to Incentives granted under this Plan shall constitute general funds of the Company.

13.16 Legend. Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend, or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

"Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate."

On the reverse:

"The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Powell Industries, Inc. 2005 Equity Compensation Plan, a copy of which is on file at the principal office of the Company in Houston, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan. By acceptance of this certificate, any holder, transferee or

---

pledgee hereof agrees to be bound by all of the provisions of said Plan.”

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

“Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company.”

A copy of this Plan shall be kept on file in the principal office of the Company in Houston, Texas.

## NON-EMPLOYEE DIRECTOR RESTRICTED STOCK PLAN

The Powell Industries, Inc. Non-Employee Director Restricted Stock Plan was adopted by the Board of Directors ("Board") of *Powell Industries, Inc.*, a Delaware corporation ("Company"), effective as of December 17, 2004 and approved by the stockholders of the Company at its annual meeting of stockholders held on April 15, 2005.

### PURPOSE AND TERM

**Purpose.** The Powell Industries, Inc. Non-Employee Director Restricted Stock Plan (the "Plan") is for the benefit of members of the Board who, at the time of their service, are not employees of the Company or any of its affiliates (each a "Participant" and collectively the "Participants"), to encourage ownership of the Company's common stock (the "Stock") by the Participants, thereby advancing the best interests of the Company by increasing the proprietary interest of the Participants in the success of the Company and encouraging them to continue in their present capacity.

**Term.** Unless sooner terminated by the Board, the Plan will terminate at the close of business on December 16, 2014 and no further grants shall be made under the Plan after such date. Awards granted before such date shall continue to be subject to the terms and conditions of the Plan and the respective agreements pursuant to which they were granted.

### ADMINISTRATION

**Administration of the Plan.** The Plan shall be administered by the Compensation Committee of the Board ("Committee") or, if there is no Compensation Committee, the Plan shall be administered by the Board and all references to the Committee in this Plan shall refer to the Board. All questions of interpretation of the Plan or of any restricted stock agreement governing any grant under this Plan ("Restricted Stock Agreement") shall be determined by the Committee, and such determination shall be final and binding upon all persons having an interest in the Plan or such Restricted Stock Agreement. The Chief Executive Officer, the Chief Financial Officer, the President and any Vice President of the Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, determination or election which is the responsibility of or which is allocated to the Company in this Plan.

**Powers of the Committee.** In addition to any other powers set forth in the Plan and subject to the provisions of the Plan, the Committee shall have the full and final power and authority, in its sole discretion:

to determine the terms, conditions and restrictions applicable to each grant (which need not be identical) under this Plan ("Award"), the method for satisfaction of any tax withholding obligation arising in connection with an Award or vesting of the Stock granted pursuant to the Award ("Restricted Stock"), the effect on the Award or the vesting of such Restricted Stock of termination of the status of a Participant as a director of the Company and all other terms, conditions and restrictions applicable to the Award or Restricted Stock not inconsistent with the terms of the Plan,

to approve one or more forms of Restricted Stock Agreement,

to accelerate, continue, extend or defer the vesting of any Restricted Stock,

to prescribe, amend or rescind rules, guidelines and policies necessary or advisable in the administration of the Plan, and

---

to correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Restricted Stock Agreement and to make all other determinations and take such other actions with respect to the Plan as the Committee may deem advisable to the extent consistent with the Plan and applicable law.

#### **SHARES SUBJECT TO PLAN OR AWARDS AND ADJUSTMENTS THEREOF**

**Maximum Number of Shares Issuable.** Subject to Section 3.2, the maximum aggregate number of shares of Stock that may be issued under the Plan shall be 150,000 and shall consist of authorized but unissued or reacquired shares of Stock or any combination thereof. If a share of Restricted Stock is forfeited for any reason, such share shall again be available for issuance under the Plan. During the term of this Plan, the Company shall at all times reserve and keep available that number of shares of Stock sufficient to satisfy the requirements of the Plan.

**Changes in Capital Structure.** If, at any time while the Plan is in effect or shares of Restricted Stock are outstanding, there shall be any increase or decrease in the number of issued and outstanding shares of Stock resulting from (i) the declaration or payment of a stock dividend, (ii) any recapitalization resulting in a stock split-up, combination or exchange of shares of Stock or (iii) any other increase or decrease in such shares of Stock effected without receipt of consideration by the Company, then and in such event:

an appropriate adjustment shall be made in the maximum number of shares of Stock then subject to being granted under the Plan so that the same proportion of the Company's issued and outstanding shares of Stock shall continue to be subject to being granted under the Plan; and

appropriate adjustments shall be made in the number of outstanding shares of Restricted Stock.

Any fractional share resulting from an adjustment under this Section 3.2 shall be rounded up to the nearest whole number. Except as otherwise expressly provided in the Plan, the issuance by the Company of shares of its capital stock of any class, or securities convertible into or exercisable for shares of capital stock or any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of outstanding shares of Restricted Stock.

**Notice of Adjustment.** Upon the occurrence of each event requiring an adjustment with respect to any Restricted Stock, the Company shall mail to each affected Participant its computation of such adjustment, which shall be conclusive and shall be binding upon each Participant.

#### **AWARDS OF RESTRICTED STOCK**

**Eligibility.** The persons who shall be eligible to receive Restricted Stock under the Plan shall be each member of the Board who is not an employee of the Company or any affiliate of the Company.

**Awards.** On the day of each June Board meeting (or the next regular meeting of the Board, if there is no June meeting), each Participant who is continuing to serve as a director shall receive a grant of 2,000 shares of Stock. If a Participant is first elected or appointed to the Board (whichever is applicable) other than at a June meeting, the Participant shall receive a grant of that number of shares of Stock (rounded up to the nearest whole share) determined by multiplying 2,000 shares by a fraction, the numerator of which is the number of months until the next June meeting (or meeting held in lieu of the

---

June meeting and counting the month in which the Participant became a director) and the denominator of which is 12. The intent of this initial grant is to provide the new director with a prorated grant for the partial year served before the new director receives the annual grant.

**Restricted Stock Agreement.** The prospective recipient of a grant of Stock shall not have any rights with respect to such grant until such prospective recipient has executed a Restricted Stock Agreement and delivered a fully executed copy thereof to the Company within a period of sixty days (or such other period as the Committee shall specify) after the date of the grant. The Restricted Stock Agreement shall set forth the number of shares of Stock granted to the Participant and all other terms, limitations, restrictions and conditions to which such Stock is subject. To the extent any such terms, limitations, restrictions or conditions are inconsistent with the terms of the Plan, the terms of the Plan shall control.

**Share Certificates.** Each Participant shall be issued a stock certificate or certificates representing the shares of Restricted Stock granted to such Participant. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, limitations, restrictions and conditions applicable to such Restricted Stock substantially as provided in Section 4.5 below. The Committee may require that the stock certificates evidencing the shares of Restricted Stock be held in the custody of the Company until the restrictions thereon shall have lapsed and that the Participant deliver to the Committee a stock power or stock powers, endorsed in blank, relating to the shares of Restricted Stock.

**Legends.** Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof and each Restricted Stock Agreement shall provide that any such certificate not having such legend shall be surrendered upon demand of the Company therefor and so endorsed:

On the face of the certificate:

“Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate.”

On the reverse of the certificate:

“The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Powell Industries, Inc. Non-Employee Director Restricted Stock Plan, a copy of which is on file at the principal office of the Company in Houston, Texas. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of the Plan. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of the Plan.

And, if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

“Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may require and rely upon an opinion of counsel satisfactory to the Company.”

A copy of this Plan shall be kept on file in the principal office of the Company in Houston, Texas.

---

Restrictions and Conditions. Shares of Restricted Stock shall be subject to the following restrictions and conditions:

Subject to the provisions of the Plan and the Restricted Stock Agreement governing the grant of Restricted Stock, during such period or periods as may be established by the Committee beginning on the date of the Award ("Restricted Period"), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock granted under the Plan; *provided, however, that* the Committee may, in its sole discretion, provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Committee may determine, in its sole discretion, including without limitation the attainment of certain performance-related goals, the death or Disability of the Participant or the Participant's otherwise ceasing to serve as a director of the Company.

During the Restricted Period, the Participant shall have the rights of a shareholder with respect to any shares of Restricted Stock, except as otherwise stated in the Plan or the Restricted Stock Agreement governing the grant of Restricted Stock.

For purposes of the Plan, the term "Disability" shall mean the determination by the Board, upon the advice of an independent qualified physician, that the Participant has become physically or mentally incapable of performing his duties as a director and such disability has disabled the Participant for a period of at least 180 days in any twelve-calendar-month period.

#### **ADDITIONAL PROVISIONS**

Amendment or Discontinuation. Except as set otherwise set forth in this Section 5.1, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend or discontinue the Plan in whole or in part, *provided, however, that* to the extent required to qualify the Plan under Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, no amendment shall be made more than once every six months that would change the amount, price or timing of the initial and annual grants, other than to comport with changes in the Internal Revenue Code of 1986, as amended; and *provided, further, that* to the extent required to qualify the Plan under Rule 16b-3, no amendment that would (a) materially increase the number of shares of the Stock that may be issued under the Plan, (b) materially modify the requirements as to the eligibility for participation in the Plan, or (c) otherwise materially increase the benefits accruing to Participants under the Plan, shall be made without the approval of the Company's stockholders. Any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Restricted Stock previously granted under the Plan with respect to which the Restricted Period has not yet expired, notwithstanding any contrary provisions contained in any Restricted Stock Agreement. In the event of any such amendment to the Plan, the holder of any Restricted Stock outstanding under the Plan shall, upon the request of the Committee, execute a conforming amendment to the applicable Restricted Stock Agreement in the form prescribed by the Committee. Notwithstanding anything contained in the Plan to the contrary, unless required by law, no action contemplated or permitted by this Section 5.1 shall adversely affect any rights of a Participant or obligations of the Company to Participants with respect to any Restricted Stock with respect to which the Restricted Period has expired without the consent of the affected Participant.

---

**Investment Intent and Other Representations.** The Company may require that there be presented to and filed with it by any Participant under the Plan such evidence as it may deem necessary to establish that the shares of Restricted Stock are being acquired for investment and not with a view to their distribution and such other representations and warranties of a Participant which the Company considers necessary or appropriate.

**Indemnification of Board and Committee.** With respect to administration of the Plan, the Company shall indemnify each present and future member of the Committee against, and each member of the Committee shall be entitled without further act on his part to indemnity from the Company for, all expenses (including the amount of judgments and the amount of approved settlements made with a view to the curtailment of costs of litigation, other than amounts paid to the Company itself) reasonably incurred by him in connection with or arising out of any action, suit, or proceeding in which he may be involved by reason of his being or having been a member of the Committee, whether or not he continues to be a member of the Committee at the time of incurring the expenses. However, this indemnity shall not include any expenses incurred by any member of the Committee (a) in respect of matters as to which he shall be finally adjudged in any action, suit or proceeding to have been guilty of gross negligence or willful misconduct in the performance of his duty as a member of the Committee, or (b) in respect of any matter in which any settlement is effected, to an amount in excess of the amount approved by the Company on the advice of its legal counsel. In addition, no right of indemnification under this Plan shall be available to or enforceable by any member of the Committee unless, within 60 days after the institution of any action, suit or proceeding, he shall have offered the Company, in writing, the opportunity to handle and defend the same at its own expense. This right of indemnification shall inure to the benefit of the heirs, executors or administrators of each member of the Committee and shall be in addition to all other rights to which a member of the Committee may be entitled as a matter of law, contract or otherwise.

**Effect of the Plan.** Neither the adoption of the Plan nor any action of the Committee shall be deemed to give any person any rights except as may be evidenced by a Restricted Stock Agreement or any amendment thereto duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

**Compliance with Other Laws and Regulations.** Nothing in this Plan shall be construed to require the Company to issue any shares of Stock under the Plan if issuing that Stock would constitute or result in a violation by the Participant or the Company of any provision of any law, statute or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which the shares of Stock are or may be quoted or traded (including without limitation Section 16 of the Securities Exchange Act of 1934). Specifically, in connection with any applicable statute or regulation relating to the registration of securities, the Company shall not be required to issue any Stock unless the Company has received evidence satisfactory to it to the effect that the Participant will not transfer the Stock except in accordance with applicable law, including receipt of an opinion of counsel satisfactory to the Company to the effect that any proposed transfer complies with applicable law. The determination by the Company on this matter shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any Stock covered by this Plan pursuant to applicable securities laws of any country or any political subdivision. If the Stock is not registered, the Company may imprint on the certificate evidencing the Stock any legend that counsel for the Company considers necessary or advisable to comply with applicable law.

**Tax Requirements.** The Company shall have the right pursuant to any arrangement it deems appropriate to deduct from all Awards hereunder any federal, state or local taxes required by law to be withheld with respect to such payments.

---

THE UNDERSIGNED, being the duly elected Secretary of the Company, does hereby certify that the foregoing is a true and correct copy of the Powell Industries, Inc. Restricted Stock Plan, adopted by the Board of Directors of Powell Industries, Inc. at the meeting thereof duly called and held on December 17, 2004 and approved by the stockholders of the Company at its annual meeting of stockholders held on April 15, 2005.

/s/ DON R. MADISON

Don R. Madison, Secretary

---

## FORM OF RESTRICTED STOCK AGREEMENT

Pursuant to the Powell Industries, Inc. Non-Employee Director Restricted Stock Plan (“Plan”), this Restricted Stock Agreement (“Agreement”) is made as of \_\_, \_\_ (“Effective Date”) by and between Powell Industries, Inc., a Delaware corporation (“Company”), and \_\_ (“Grantee”).

The parties agree as follows:

1. **Grant of Stock.** The Company hereby grants to Grantee and Grantee hereby accepts 2,000 shares of the Company’s common stock (“Shares”).

2. **Vesting.**

The Shares shall become fully vested and shall no longer be subject to forfeiture as follows:

fifty per cent on the first anniversary of the Effective Date, and

fifty per cent on the second anniversary of the Effective Date.

Notwithstanding the foregoing, the Shares shall, to the extent not then fully vested, become fully vested and shall no longer be subject to forfeiture:

upon the retirement of the Grantee from the Board of Directors of the Company (“Board”), but only with respect to grants of Shares made before the annual shareholder meeting immediately preceding such retirement;

upon the occurrence of a “Liquidation Event” as such term is defined in Section 2(c) below; or

upon the death or Disability (as defined in the Plan) of the Grantee.

As used in this Agreement, “Liquidation Event” shall mean the occurrence of either of the following: a merger, reorganization or consolidation of the Company with or into one or more corporations, limited liability companies or partnerships in which the Company is not the surviving entity and stockholders of the Company receive cash or freely salable securities; or the sale of all or substantially all of the Company’s assets in one or more transactions for cash or freely salable securities and a subsequent liquidation of the Company, in which its stockholders receive liquidating distributions of such proceeds of sale after payment or provision for the valid debts, liabilities and taxes of the Company.

3. **Forfeiture of Unvested Shares Upon Termination or Attempted Transfer.** Upon the occurrence of (i) Grantee’s ceasing to be a director of the Company for any or no reason except death or Disability of the Grantee or, with respect to Shares granted after the annual stockholder meeting immediately preceding such retirement, the retirement of Grantee from the Board or (ii) any attempted transfer by the Grantee to a third party of Shares that are not yet fully vested and no longer subject to forfeiture, the Company shall, upon the date of such termination or attempted transfer (as such date is reasonably fixed

---

and determined by the Company) cancel such portion of the Shares as are not fully vested in accordance with Section 2 above (“Forfeited Shares”), and Grantee shall forfeit and have no further right to or interest in or claim regarding the Forfeited Shares. Upon such cancellation and forfeiture, Grantee, or Grantee’s representative, shall immediately surrender to the Company for cancellation the share certificate(s) representing the Forfeited Shares. Notwithstanding Grantee’s failure to surrender for cancellation the share certificate(s) representing the Forfeited Shares, Grantee hereby grants to the Secretary of the Company all right, power and authority on behalf of Grantee to cause, and the Secretary of the Company shall cause, the Forfeited Shares to be cancelled on the official stock register of the Company, which stock register shall be conclusive evidence of ownership of any and all of the Company’s outstanding capital stock, including the Shares as applicable.

4. **Restrictions on Transfer.**

Grantee shall not transfer, encumber or otherwise dispose of any of the Shares (or any beneficial interest therein) in any way until the date such Shares are fully vested and no longer subject to forfeiture.

Notwithstanding Section 5(a) above, Grantee shall not transfer or dispose of the shares unless (i) there is then in effect a registration statement under the Securities Act of 1933 or any successor thereto (“Securities Act”) covering such proposed disposition and such disposition is made in accordance with such registration statement or (ii) Grantee shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and if reasonably requested by the Company, such Grantee shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will be exempt from registration under the Securities Act.

5. **Legends.** The share certificate evidencing the Shares issued hereunder shall be endorsed with the following legends (in addition to any other legends required by the Plan or under applicable federal and state securities laws):

“THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO AND TRANSFERABLE ONLY IN ACCORDANCE WITH THAT CERTAIN POWELL INDUSTRIES, INC. RESTRICTED STOCK PLAN, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY IN HOUSTON, TEXAS. NO TRANSFER OR PLEDGE OF THE SHARES EVIDENCED HEREBY MAY BE MADE EXCEPT IN ACCORDANCE WITH AND SUBJECT TO THE PROVISIONS OF THE PLAN. BY ACCEPTANCE OF THIS CERTIFICATE, ANY HOLDER, TRANSFEREE OR PLEDGEE HEREOF AGREES TO BE BOUND BY ALL OF THE PROVISIONS OF THE PLAN.”

“THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN A RESTRICTED STOCK AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE COMPANY’S PRINCIPAL EXECUTIVE OFFICES. SUCH TRANSFER RESTRICTIONS ARE BINDING ON TRANSFEREES OF THESE SHARES.”

Grantee shall surrender, upon demand of the Company therefor, any certificate evidencing the Shares that does not bear any legend required hereunder or by the Plan so

---

that such legend may be placed on such certificate or a new certificate issued bearing the required legends.

6. **Tax Withholding and Other Tax Matters.** The Company shall have the right to withhold from any issuance of Shares all federal, state, city or other taxes as may be required pursuant to any statute or governmental regulation or filing. In connection with such withholding, the Company may make any arrangement it deems appropriate. Grantee acknowledges its obligations to review with Grantee's own tax advisors the federal, state, local and foreign tax consequences of this grant and the transactions contemplated by this Agreement and particularly the consequences with regard to making any election under Section 83(b) of the Internal Revenue Code. Grantee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Grantee understands that Grantee (and not the Company) shall be responsible for Grantee's own tax liability that may arise as a result of this grant or the transactions contemplated by this Agreement and shall be required to pay to the Company any such liability.

IF GRANTEE DESIRES TO MAKE A SECTION 83(b) ELECTION UNDER SECTION 83(b) OF THE INTERNAL REVENUE CODE, GRANTEE ACKNOWLEDGES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON GRANTEE'S BEHALF. GRANTEE SHALL DELIVER A COPY OF ANY SUCH FILING TO THE COMPANY PROMPTLY UPON THE FILING THEREOF.

7. **General Provisions.**

THIS AGREEMENT SHALL BE GOVERNED IN ALL RESPECTS BY THE INTERNAL LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO ITS CHOICE OF LAW PROVISIONS) AS SUCH LAWS ARE APPLIED TO AGREEMENTS BETWEEN TEXAS RESIDENTS ENTERED INTO AND TO BE PERFORMED ENTIRELY WITHIN TEXAS.

This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof and may only be modified or amended in writing signed by both parties.

All references to the number of Shares shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the Shares that may be made by the Company after the date of this Agreement, in accordance with the terms of the Plan.

All notices and other communications required or permitted hereunder shall be in writing and may be delivered in person or by facsimile, electronic mail, courier or U.S. mail, in which event it may be mailed by first-class, certified or registered, postage prepaid, addressed (i) if to Grantee, at Grantee's address set forth on the signature page of the Agreement, or at such other address as Grantee shall have furnished to the Company in writing, or (ii) if to the Company, to its address set forth on the signature page of this Agreement and addressed to the attention of the Secretary, or at such other address as the Company shall have furnished to Grantee. All such notices and other communications shall be deemed given upon personal delivery, upon confirmation of facsimile transfer, upon confirmation of electronic mail transmission, upon delivery by courier or three business days after deposit in the United States mail.

---

If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without such provision, *provided, however, that* no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the Effective Date.

**Powell Industries, Inc.**

By:

[Name of Grantee]

Its: \_\_\_\_\_

Address:

Address:

8550 Mosley Drive  
Houston, Texas 77075

\_\_\_\_\_  
{Please provide address for notice purposes}

---

**CONSENT OF SPOUSE**

I, \_\_\_\_\_, spouse of [Name of Grantee], have read and approve the foregoing Agreement. In consideration of granting to [Name of Grantee] 2,000 shares of common stock of Powell Industries, Inc. as set forth in the Agreement, I hereby appoint [Name of Grantee] as my attorney-in-fact in respect to the exercise of any rights under the Agreement and agree to be bound by the provisions of the Agreement insofar as I may have any rights in said Agreement or any shares issued pursuant thereto under the community property laws of the State of Texas or similar laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

Dated: \_\_\_\_\_, \_\_\_\_\_.

**“Spouse of Grantee”**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated December 8, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting of Powell Industries, Inc., included in its Annual Report on Form 10-K for the year ended September 30, 2010.

/s/ PricewaterhouseCoopers LLP

Houston, Texas  
December 21, 2010