UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 10-Q

(Mark one)

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended April 30, 2002 or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ____________________ to ____________________

COMMISSION FILE NUMBER 0-6050

POWELL INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

NEVADA	88-0106100
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8550 Mosley Drive, Houston, Texas	77075-1180
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (713) 944-6900

Indicate by "X" whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No ___

Common Stock, par value $.01 per share; 10,468,919 shares outstanding as of May 16, 2002.

Powell Industries, Inc. and Subsidiaries

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

APRIL 30, OCTOBER 31, 2002 2001 ------------- ------------- ASSETS
(UNAUDITED) Current Assets: Cash and cash equivalents
.... $ 13,933 $ 6,520
Accounts receivable, less allowance for doubtful accounts of $601 and
$551, respectively ....
57,438 76,592 Costs and estimated earnings in excess of billings
.... 32,462 36,164 Inventories
....
24,500 21,425 Deferred income taxes and income taxes receivable
.... 0 1,043 Prepaid expenses and other
current assets .... 1,892 835 -------
------ ------------- Total Current Assets
.... 130,225 142,579
Property, plant and equipment, net
.... 44,200 37,409
Deferred income taxes
.... 1,089
1,064 Other assets
....
5,669 5,309 ------------- ------------- Total Assets
.... $
181,183 $ 186,361 ============= ============= LIABILITIES AND
STOCKHOLDERS' EQUITY Current Liabilities: Current maturities of long-
term debt .... $ 1,429 $ 1,429
Accounts and income taxes payable
.... 16,910 18,857 Accrued
salaries, bonuses and commissions
.... 7,999 9,670 Billings in excess
of costs and estimated earnings 13,236
14,858 Accrued product warranty
.... 2,389 1,860
Other accrued expenses
.... 7,387 6,924 -
------------ ------------- Total Current Liabilities
.... 49,350 53,598 Long-
term debt, net of current maturities
.... 11,571 21,285 Deferred
compensation expense
.... 1,509 1,404
Other liabilities
.... 562
705 ------------- ------------- Total Liabilities
.... 62,992
76,992 Commitments and contingencies Stockholders' Equity: Preferred
stock, par value $.01; 5,000,000 shares authorized; none issued Common
stock, par value $.01; 30,000,000 shares authorized; 10,965,000 and
10,964,000 shares issued, respectively
.... 109 109 Additional paid-in
capital 8,882
8,680 Retained earnings
.... 116,215
107,967 Treasury stock, 503,000 shares and 530,000 shares respectively,
at cost .... (4,690) (4,887) Accumulated other comprehensive income
(loss): fair value of interest rate swap (93) (140) Deferred
compensation-ESOP ....
(2,232) (2,360) ------------- ------------- Total Stockholders' Equity
.... 118,191 109,369 -----
-------- ------------- Total Liabilities and Stockholders' Equity
.... $ 181,183 $ 186,361 =============
=============

The accompanying notes are an integral part of these condensed
consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

THREE MONTHS ENDED APRIL 30,	2002	2001
Revenues	$ 80,286	$ 68,719
Cost of goods sold	63,019	54,493
Gross profit	17,267	14,226
Selling, general and administrative expenses	9,917	9,261
Earnings before interest and income taxes	7,350	4,965
Interest expense (income), net	263	91
Earnings before income taxes	7,087	4,874
Income tax provision	2,573	1,753
Net earnings	$ 4,514	$ 3,121
Net earnings per common share:		
Basic	$ 0.43	$ 0.30
Diluted	0.42	0.30
Weighted average number of common shares outstanding	10,457	10,343
Weighted average number of common and common equivalent shares outstanding	10,685	10,475

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	SIX MONTHS ENDED APRIL 30, 2002	2001
Revenues	$ 156,773	$ 123,870
Cost of goods sold	123,915	98,430
Gross profit	32,858	25,440
Selling, general and administrative expenses	19,338	17,614
Earnings before interest and income taxes	13,520	7,826
Interest expense (income), net	568	78
Earnings before income taxes	12,952	7,748
Income tax provision	4,703	2,743
Net earnings	$ 8,249	$ 5,005
Net earnings per common share:		
Basic	$ 0.79	$ 0.48
Diluted	0.77	0.48
Weighted average number of common shares outstanding	10,452	10,330
Weighted average number of common and common equivalent shares outstanding	10,676	10,479

The accompanying notes are an integral part of these condensed consolidated financial statements.

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(IN THOUSANDS)

SIX MONTHS ENDED APRIL 30, 2002 2001 ------------- ----------
--- Operating Activities: Net earnings
....
$ 8,249 $ 5,005 Adjustments to reconcile net earnings to net
cash provided by (used in) operating activities: Depreciation
and amortization ....
2,315 2,204 Loss on disposition of assets
.... 30 7 Deferred
income tax provision (benefit)
.... (24) (214) Postretirement
benefits liability ....
(144) (4) Changes in operating assets and liabilities:
Accounts receivable, net
.... 19,153 (2,843)
Costs and estimated earnings in excess of billings
.... 3,702 (4,360) Inventories
....
(3,075) (4,376) Prepaid expenses and other current assets
.... (1,057) (58) Other assets
.... (460)
(61) Accounts payable and income taxes payable or receivable
.... (904) (702) Accrued liabilities
.... (631) 683
Billings in excess of costs and estimated earnings
.... (1,622) 3,551 Deferred compensation expense
.... 234 196 ------------- --
----------- Net cash provided by (used in) operating
activities .... 25,766 (972) Investing Activities:
Purchases of property, plant and equipment
.... (9,037) (2,456) ------------
- ------------- Net cash used in investing activities
.... (9,037) (2,456) ------------- ------
------- Financing Activities: Borrowings on revolving line of
credit .... -- 11,750
Repayments on revolving line of credit
.... (9,000) (8,750)
Repayments of long-term debt
.... (714) (714)
Payments to reacquire common stock
.... 0 (267) Exercise of
stock options
.... 398 388 ---
---------- ------------- Net cash provided by (used in)
financing activities .... (9,316) 2,407 ------------- -
------------ Net increase (decrease) in cash and cash
equivalents .... 7,413 (1,021) Cash
and cash equivalents at beginning of period
.... 6,520 2,114 ------------- ---
---------- Cash and cash equivalents at end of period
.... $ 13,933 $ 1,093
============ ============ Supplemental disclosure of cash
flow information (in thousands): Cash paid during the period
for: Interest
....
$ 348 $ 336 Income taxes
.... $
500 $ 1,600

The accompanying notes are an integral part of these condensed
consolidated financial statements.

Part I
Item 1

POWELL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions of Form 10-Q and, in the opinion of management, reflect all adjustments which are of a normal recurring nature necessary for a fair presentation of financial position, results of operations, and cash flows. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's October 31, 2001 annual report on Form 10-K.

New Accounting Policies

On June 30, 2001 the Financial Accounting Standards Board ("FASB") adopted Statement of Financial Accounting Standards ("SFAS") Nos. 141 "Business Combinations" and 142 "Goodwill and Other Intangible Assets". SFAS Nos. 141 and 142 are effective for fiscal years beginning after December 15, 2001. The Company plans to adopt these statements effective November 1, 2002. SFAS No. 141 requires that all business combinations completed after June 30, 2001, be accounted for using the purchase method. The Company does not believe that the effect on its financial statements of the adoption of SFAS No. 141 will be material. SFAS No. 142 requires that goodwill no longer be amortized but be subject to an annual assessment for impairment based on a fair value test. In addition, acquired intangible assets are required under SFAS No. 142 to be separately recognized if the benefit of the asset is based on contractual or legal rights. The Company will adopt the standard on November 1, 2002. The Company is evaluating the impact of SFAS No. 142 on its financial statements. Goodwill amortization for six months ended April 30, 2002 was $72,000, which had no impact on earnings per diluted share for the period.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company will adopt this standard on November 1, 2002, and is in the process of assessing the impact that the adoption of this standard will have on its financial position and results of operations.

B. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS

Activity in the Company's allowance for doubtful accounts receivable consists of the following (in thousands):

	April 30, 2002 (unaudited)	October 31, 2001
Balance at beginning of period	$ 551	$ 505
Additions to costs and expenses	116	62
Deductions for uncollectible accounts written off, net of recoveries	(66)	(16)
Balance at end of period	$ 601	$ 551

The components of inventories are summarized below (in thousands):

	April 30, 2002 (unaudited)	October 31, 2001
Raw materials, parts and subassemblies	$ 17,097	$ 15,186
Work-in-process	7,403	6,239
Total inventories	$ 24,500	$ 21,425

Property, plant and equipment is summarized below (in thousands):

	April 30, 2002 (unaudited)	October 31, 2001
Land	$ 5,391	$ 5,232
Buildings and improvements	30,990	30,952
Machinery and equipment	33,102	31,559
Furniture & fixtures	2,764	3,829
Construction in process	13,204	4,985
	85,451	76,557
Less-accumulated depreciation	(41,251)	(39,148)
Total property, plant and equipment, net	$ 44,200	$ 37,409

The components of cost and estimated earnings in excess of billings (in thousands):

	April 30, 2002 (unaudited)	October 31, 2001
Costs and estimated earnings	$ 152,192	$ 156,822
Progress billings	(119,730)	(120,658)
Total costs and estimated earnings in excess of billings	$ 32,462	$ 36,164

The components of billings in excess of cost and estimated earnings (in thousands):

	April 30, 2002 (unaudited)	October 31, 2001
Progress billings	$ 139,517	$ 111,963
Costs and estimated earnings	(126,281)	(97,105)
Total billings in excess of costs and estimated earnings	$ 13,236	$ 14,858

C. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Numerator:				
Numerator for basic and diluted earnings per share-earnings from operations available to common stockholders	$ 4,514	$ 3,121	$ 8,249	$ 5,005
Denominator:				
Denominator for basic earnings per share-weighted average shares	10,457	10,343	10,452	10,330
Effect of dilutive securities-employee stock options	228	132	224	149
Denominator for diluted earnings per share- adjusted weighted-average shares with assumed conversions	10,685	10,475	10,676	10,479
Basic earnings per share	$ 0.43	$ 0.30	$ 0.79	$ 0.48
Diluted earnings per share	$ 0.42	$ 0.30	$ 0.77	$ 0.48

For the quarters ended April 30, 2002 and 2001 there were no exercisable stock options excluded from the computation of diluted earnings per share because the options' exercise prices were greater that the average market price of the Company's common stock.

D. COMPREHENSIVE INCOME

The Company adopted SFAS No. 133 as amended on November 1, 2000. Accordingly on that date, the Company recorded an asset of $192,000 representing the fair value of its interest rate swap agreement, which is used by the Company in the management of interest rate exposure. The Company also realized this amount as a component of comprehensive income. The Company's comprehensive income, which encompasses net income and the change in fair value of hedge instruments, is as follows (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Net income	$ 4,514	$ 3,121	$ 8,249	$ 5,005
Initial adoption of SFAS 133	--	192	--	192
Change in fair value of hedge instrument	12	(56)	47	(232)
Comprehensive income	$ 4,526	$ 3,257	$ 8,296	$ 4,965

E. BUSINESS SEGMENTS

The Company has three reportable segments: Switchgear and related equipment and service (Switchgear) for the distribution, control and management of electrical energy, Bus duct products (Bus Duct) for the distribution of electric power, and Process Control Systems which consists principally of instrumentation, computer control, communications and data management systems for the control of dynamic processes.

The tables below reflect certain information relating to the Company's operations by segment. Substantially all revenues represent sales to unaffiliated customers. The accounting policies of the segments are the same as those described in the summary of significant accounting policies as discussed in the Company's annual report on Form 10-K for the year ended October 31, 2001.

For purposes of this presentation, all general corporate expenses have been allocated among operating segments based primarily on revenues. In addition, the corporate assets are mainly cash and cash equivalents transferred to the corporate office from the segments. Interest charges and credits to the segments from the corporate office are based on use of funds.

The required disclosures for the business segments are set forth below (in thousands):

	Three Months Ended April 30,		Six Months Ended April 30,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Revenues:				
Switchgear	$ 65,535	$ 50,831	$ 127,298	$ 90,354
Bus Duct	9,569	10,842	18,933	20,004
Process Control Systems	5,182	7,046	10,542	13,512
Total Revenues	$ 80,286	$ 68,719	$ 156,773	$ 123,870
Earnings from operations before income taxes:				
Switchgear	$ 5,895	$ 3,004	$ 10,459	$ 4,152
Bus Duct	1,424	1,748	2,502	3,381
Process Control Systems	(232)	122	(9)	215
Total earnings from operations before income taxes	$ 7,087	$ 4,874	$ 12,952	$ 7,748

	April 30, 2002	October 31, 2001
	(unaudited)	
Assets		
Switchgear	$ 124,210	$ 134,872
Bus Duct	21,775	21,576
Process Control Systems	16,077	17,579
Corporate	19,121	12,334
Total Assets	$ 181,183	$ 186,361

Part I
Item 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENT

Any forward-looking statements contained in this Form 10-Q are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainty; in that, actual results may differ materially from those projected in the forward-looking statements. These risks and uncertainties include, without limitation, difficulties which could arise in obtaining materials or components in sufficient quantities as needed for the Company's manufacturing and assembly operations, unforeseen political or economic problems in countries to which the Company exports its products in relation to the Company's principal competitors, any significant decrease in the Company's backlog of orders, any material employee relations problems, or any material litigation or claims made against the Company, as well as general market conditions, competition and pricing.

CRITICAL ACCOUNTING POLICIES

In response to the Security and Exchange Commission Release No. 33-8040, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," the Company has identified the accounting principles which it believes are most critical to the Company's reported financial status by considering accounting policies that involve the most complex or subjective decisions or assessments. Management identified the Company's most critical accounting policies to be those related to the percentage-of-completion revenue recognition method. Revenue from construction and certain production contracts are recognized in accordance with the American Institute of Certified Public Accountants Statement of Position 81-1 "Accounting for Performance of Construction-Type and Certain Production-Type Contracts". Percentage-of-completion for contracts is measured principally by the percentage of costs incurred and accrued to date for each contract compared to the estimated total costs for such contract for the year. Contracts are generally considered to be substantially complete upon acceptance by the customer. Changes in job performance, job conditions, estimated contract costs and profitability may result in revisions in the period in which the revisions are determined. Provisions for total estimated losses on uncompleted contracts are made in the period in which such losses are determined.

RESULTS OF OPERATIONS

The following table sets forth, as a percentage of revenues, certain items from the Condensed Consolidated Statements of Operations.

	April 30, 2002		April 30, 2001	
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
Revenues	100.0%	100.0%	100.0%	100.0%
Gross profit	21.5	21.0	20.7	20.5
Selling, general and administrative expenses	12.4	12.3	13.5	14.2
Interest expense, net	0.3	0.4	0.1	0.1
Earnings from operations before income taxes	8.8	8.3	7.1	6.3
Income tax provision	3.2	3.0	2.6	2.3
Net earnings	5.6	5.3	4.5	4.0

The following table sets forth the percentage of total revenues attributable to each business segment:

	April 30, 2002		April 30, 2001	
	Three Months Ended	Six Months Ended	Three Months Ended	Six Months Ended
Revenues:				
Switchgear	82%	81%	74%	73%
Bus Duct	12%	12%	16%	16%
Process Control Systems	6%	7%	10%	11%
Total	100%	100%	100%	100%

Revenues for the quarter ended April 30, 2002 were up 16.8 percent to $80,286,000 from $68,719,000 in the second quarter of last year. The increase in revenues for the quarter was attributed to the Switchgear products segment experiencing an increased demand for our products and services from the domestic electric utility markets both public and private. Revenues for the six months ended April 30, 2002, were up 26.6 percent to $156,773,000 from $123,870,000. The increase in revenues for the six months was attributed to the Switchgear products segment experiencing an increased demand for our products and services from the domestic electric utility markets both public and private. This increase was partially offset by lower revenues from the Process Control segment due to a shift of value added professional work which has less pass through charges.

Gross profit, as a percentage of revenues, was 21.5 percent and 20.7 percent for the quarter ended April 30, 2002 and 2001, respectively. The higher percentages for the quarter were mainly due to increased margins for Switchgear products and the benefits of lean manufacturing techniques. Gross profit, as a percentage of revenues, was 21.0 percent and 20.5 percent for the six months ended April 30, 2002 and 2001, respectively. The slightly higher percentages for the six months were mainly due to price stabilization for Switchgear products and increased margins from Bus Duct products as well as the benefits of lean manufacturing techniques. This is partially offset by lower margins for the Process Control segment due to costs being expensed on contracts awaiting change orders.

Selling, general and administrative expenses as a percentage of revenues were 12.4 percent and 13.5 percent for the quarter ended April 30, 2002 and 2001, respectively. The lower percentages for the quarter were due to lower salaries and selling expenses, partially offset by increasing medical benefits. Selling, general and administrative expenses as a percent of revenues were 12.3 percent and 14.2 percent for the six months ended April 30, 2002 and 2001, respectively. The lower percentages for the six months were due to lower salaries, selling expenses and legal expenses.

Interest expense (income) is shown in the following schedule (in thousands):

April 30, 2002
April 30, 2001

Three Months

Six Months
Three Months
Six Months
Ended Ended
Ended Ended ---
---------- ----
--------- -----
-------- ------
------- Expense
.... $
320 $ 676 $ 180
$ 286 Income
....
(57) (108) (89)
(208) ---------
---- ----------
--- -----------
-- ------------
- Net
....
$ 263 $ 568 $
91 $ 78
=============
=============
=============
=============

Interest expense for the second quarter of 2002 and 2001 was primarily related to bank notes payable at rates between 1.5 percent and 5.2 percent. Sources of the interest income were related to notes receivable and short-term investment of available funds at various rates between 0.8 percent and 7.0 percent.

Income tax provision is represented by an effective tax rate on earnings of 36.3 percent and 36.0 percent for the quarters ended April 30, 2002 and 2001, respectively. The increase was due to lower estimated foreign sales corporation credits because of lower export sales compared to the prior year. The effective tax rate on earnings was 36.3 percent and 35.4 percent for the six-months ended April 30, 2002 and 2001, respectively. This increase for the six months was also due to lower estimated foreign sales corporation credits because of lower export sales compared to the prior year.

Net earnings were $4,514,000 or $0.42 per diluted share for the second quarter of fiscal 2002, an increase of 44.6 percent from $3,121,000 or $0.30 per diluted share for the same period last year. The increase was mainly due to higher volume and gross margins in the Switchgear segment. This is partially offset by lower earnings for the Process Control segment due to costs being expensed on contracts awaiting change orders. Net earnings were $8,249,000 or $0.77 per diluted share for the first six months of fiscal 2002, an increase of 64.8 percent from $5,005,000 or $0.48 per diluted share for the same period last year. The increase was also due to significantly higher volume and increased gross margins in the Switchgear segment.

Backlog at April 30, 2002 was $221,722,000 compared to $213,349,000 and $208,938,000 at January 31, 2002, and at October 31, 2001, respectively, an increase of $8,373,000 for the three months and $12,784,000 for the six months. The increase in backlog was primarily in the Switchgear segment due to increased bookings from the domestic electric utility markets both public and private. This was partially offset by lower demand in the Bus Duct segment.

The following table sets forth the value of total backlog attributable to each business segment (in thousands):

	April 30, 2002	January 31, 2002	October 31, 2001
Switchgear	$ 153,083	$ 145,905	$ 137,361
Bus Duct	24,816	25,952	30,232
Process Control	43,823	41,492	41,345
Total	$ 221,722	$ 213,349	$ 208,938

LIQUIDITY AND CAPITAL RESOURCES

The Company's ability to satisfy its cash requirements is evaluated by analyzing key measures of liquidity applicable to the Company. The following table is a summary of the measures which are significant to management:

	April 30, 2002	October 31, 2001
Working Capital	$ 80,875,000	$ 88,981,000
Current Ratio	2.64 to 1	2.66 to 1
Long-term Debt to Capitalization	.1 to 1	.2 to 1

Management believes that the Company continues to maintain a strong liquidity position. The $8,106,000 decrease in working capital during the six months ended April 30, 2002 reflects the Company's effort to reduce investment in trade accounts receivable.

Cash and cash equivalents increased by $9,375,000 during the three months ended April 30, 2002, primarily through earnings and collections on accounts receivable. The primary use of cash during this period was to fund investing activities and reduce net borrowings on the revolving line of credit.

On April 30, 2001, the Board of Directors approved the Company's planned plant expansion in the Chicago operations of the Bus Duct segment. The Company expects to invest a total of approximately $9.0 million during fiscal 2001 and 2002 on this project. Approximately $8,400,000 has been expended to date. On June 15, 2001, the Board of Directors approved planned plant expansion in the North Canton, Ohio and Houston, Texas operations of the Switchgear segment. The Company expects to invest a total of approximately $8.6 million during fiscal 2002 on this project. Approximately $4,000,000 has been expended to date.

In September 1998, the Company amended a revolving line of credit agreement with a major domestic bank. The amendment provided for a $10,000,000 term loan and a revolving line of credit of $20,000,000. The term of the loan was five years with nineteen equal quarterly payments of $357,143 and a final payment of the remaining principal balance on September 30, 2003. The effective interest rate, after including an interest rate swap negotiated with the trust company of the same domestic bank, is 5.2 percent per annum plus a .75 to 1.25 percent fee based on financial covenants. In December 1999 the revolving line of credit was amended to reduce the revolving line of credit to $15,000,000. In October 2001, the credit agreement was amended and restated to increase the revolving line of credit to $25,000,000 and to extend the maturity date to February 28, 2003. As of April 30, 2002 the Company had no outstanding borrowings on this line of credit.

A Company subsidiary ("Borrower") borrowed $8 million on October 25, 2001, through a loan agreement funded with proceeds from certain tax-exempt industrial development revenue bonds ("Bonds"). The Bonds were issued by the Illinois Development Finance Authority and are to be used strictly for the completion of the Company's Northlake, Illinois production facility. A reimbursement agreement between the Borrower and a major U.S. bank, required an issuance by the bank of an irrevocable direct-pay letter of credit to the Bonds' trustee that guarantees payment of the Bonds' principal and interest when due. The letter of credit terminates on October 25, 2004, and is subject to both early termination and extension provisions customary to such agreements. The Bonds mature in 2021, but the reimbursement agreement requires Borrower to provide for redemption of one twentieth of the par amount of the Bonds on October 25, 2002, and each subsequent anniversary. A sinking fund equal to one twentieth of the total Bonds outstanding will be funded by the Company each year for redemption of the Bonds. The Bonds bear interest at a floating rate determined weekly by the Bonds' remarketing agent, which was the underwriter for the Bonds and is an affiliate of the bank.

The Company had a stock repurchase plan under which the Company was authorized to spend up to $5,000,000 for purchases of its common stock. Pursuant to this plan, the Company repurchased 530,100 shares of its common stock at an aggregate cost of approximately $4,887,000 through April 30, 2001. Repurchased shares were added to treasury stock and 27,350 have been used this fiscal year for issuance under the Company's employee stock option plan. No additional shares will be purchased under this plan.

The Company believes the current credit facilities, coupled with the Company's additional borrowing capacity, along with cash generated from operations, will be sufficient to fund the Company's current operations, internal growth and possible acquisitions.

OTHER COMMITMENTS

The Company has other commitments, as is common in our industry, which are not entered into our Balance Sheet and expose the company to increased financial risks. Significant off balance sheet transactions include liabilities associated with noncancelable operating leases, letter of credit obligations and surety guarantees.

Non-cancelable operating leases are entered into for certain offices, facilities, equipment and vehicles that are not owned and require monthly lease rental fees. At the end of the lease, there is no further obligation to the lessor and many leases have cancellation and termination clauses prior to reaching the end of the lease. A cancelled or terminated lease may contain fees for canceling before reaching the final termination date. This amount is typically the difference between the fair market value of the leased asset and the implied book value of the leased asset as determined in accordance with the lease agreement.

At April 30, 2002, the minimum annual rental commitments under leases having terms in excess of one year and annual maturities of long-term debt and capital obligations are as follows (in thousands):

Year Ending October 31	Operating Leases	Debt & Capital Obligations
2002	1,559	714
2003	870	4,286
2004	655	--
2005	450	--
2006	295	--
Thereafter	294	8,000
Total lease commitments/debt and capital obligations	$ 4,123	$ 13,000

Certain customers require us to post a bank letter of credit guarantee or performance bonds issued by a surety. These assure our customers that we will perform under terms of our contract and with associated vendors and subcontractors. In the event of default the customer may demand payment from the bank under a letter of credit or performance by the surety under a performance bond. To date there have been no significant expenses related to either for the periods reported. The Company is contingently liable for secured and unsecured letters of credit of $12,212,000 as of April 30, 2002. The Company also had performance bonds totaling approximately $165,346,000 that were outstanding at April 30, 2002.

The previous discussion should be read in conjunction with the consolidated financial statements.

Part 1

Item 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's financial instruments include cash and equivalents, accounts receivable, accounts payable, debt obligations and an interest rate swap. The book value of cash and cash equivalents, accounts receivable and accounts payable are considered to be representative of fair value because of the short maturity of these instruments. The Company believes that the carrying value of its borrowings under the credit agreement approximates their fair value as they bear interest at rates indexed to the bank's interbank offered rate. The Company's accounts receivable are not concentrated in one customer or one industry and are not viewed as an unusual credit risk. The Company had recorded an allowance for doubtful accounts of $601,000 at April 30, 2002 and $551,000 at October 31, 2001, respectively, which management believes is adequate.

The interest rate swap agreement, which is used by the Company in the management of interest rate exposure, is accounted for on the accrual basis. Income and expense resulting from this agreement is recorded in the same category as interest expense accrued on the related term note. Amounts to be paid or received under the interest rate swap agreement are recognized as adjustments to interest expense in the periods in which they occur.

At April 30, 2002 the Company had $5,000,000 in borrowings subject to the interest rate swap at a rate of 5.20 percent through September 30, 2003. The 5.20 percent rate is currently approximately 3.3 percent above market and should represent approximately $165,000 of increased interest expense for fiscal year 2002 assuming the current market interest rates do not change. The approximate fair value of the swap agreement at April 30, 2002 is ($93,000). The fair value is the estimated amount the Company would pay to terminate the contract. The agreements require that the Company pay the counterparty at the above fixed swap rate and require the counterparty to pay the Company interest at the 90 day LIBOR rate. The closing 90 day LIBOR rate on April 30, 2002 was 1.9 percent.

Part II

OTHER INFORMATION

ITEM 1. Legal Proceedings

The Company is a party to disputes arising in the ordinary course of business. Management does not believe that the ultimate outcome of these disputes will materially affect the financial position of results of operations of the Company.

ITEM 2. Changes in Securities and Use of Proceeds

None

ITEM 3. Defaults Upon Senior Securities

Not applicable

ITEM 4. Submission of Matters to a Vote of Security Holders

At the annual meeting of stockholders of the Company held on March 15, 2002, Ronald Wolny and Eugene L. Butler were elected as directors of the Company with terms ending in 2005. The directors continuing in office after the meeting are Thomas W. Powell, Lawrence R. Tanner, Joseph L. Becherer. Steven W. Seale, Jr., Eugene L. Butler, and Robert C. Tranchon. As to each nominee for director, the number of votes cast for or withheld, as well as the number of abstentions and broker non-votes, were as follows:

Nominee	Votes Cast for	Votes Cast Against	Votes Withheld	Abstentions	Non-Votes
Eugene L Butler	9,784,350	29,350	---	---	643,494
Ronald J. Wolny	9,784,350	29,350	---	---	643,494

At the annual meeting, the stockholders also approved and ratified the actions of the directors and officers of the Company during fiscal 2001 as the acts of the Company. The number of votes cast for, against, or withheld, as well as the number of abstentions and broker non-votes, with respect to such matter was as follows:

Votes Cast for	Votes Cast Against	Votes Withheld	Abstentions	Non-Votes
9,813,700	---	---	---	643,494

Also at the annual meeting, the stockholders approved the Company's Non Employee Directors Stock Option Plan, as amended by the Company's Board of Directors on January 18, 2002. The number of votes cast for, against or withheld, as well as the number abstentions and broker non-votes, with respect to such matter was as follows:

Votes Cast for	Votes Cast Against	Votes Withheld	Abstentions	Non-Votes
9,361,178	210,735	---	241,787	643,494

ITEM 5. Other Information

None

ITEM 6. Exhibits and Reports on Form 8-K

a. Exhibits

10.1 Powell Industries, Inc. Non-Employee Director Stock Option Plan.

b. Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POWELL INDUSTRIES, INC.
Registrant

May 22, 2002	/s/ THOMAS W. POWELL
Date	Thomas W. Powell President and Chief Executive Officer (Principal Executive Officer)
May 22, 2002	/s/ DON R. MADISON
Date	Don R. Madison Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.1	Powell Industries, Inc. Non-Employee Director Stock Option Plan.

EXHIBIT 10.1

POWELL INDUSTRIES, INC.

NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

POWELL INDUSTRIES, INC.

NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

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POWELL INDUSTRIES, INC.

NON-EMPLOYER DIRECTOR STOCK OPTION PLAN

1. PURPOSE. The Powell Industries, Inc. Non-Employee Director Stock Option Plan (the "Plan") of Powell Industries, Inc. (the "Company") is for the benefit of members of the Board of Directors of the Company (the "Board"), who, at the time of their service, are not employees of the Company or any of its affiliates, by providing them an opportunity to become owners of the Common Stock of the Company (the "Stock"), thereby advancing the best interests of the Company by increasing their proprietary interest in the success of the Company and encouraging them to continue in their present capacity.

2. EFFECTIVE DATE OF PLAN. The Plan, as amended and restated, is effective January 18, 2002, having been approved by the Board and the stockholders of the Company.

3. ADMINISTRATION. The Plan shall be administered by the Compensation Committee of the Board (the "Committee"). Subject to the terms of the Plan, the Committee shall have the power to grant Options to Eligible Directors, construe the provisions of the Plan, Options, and Stock issued hereunder, to determine all questions arising hereunder, and to adopt and amend such rules and regulations for administering the Plan as the Committee deems desirable; provided, however, that the actions and decisions taken by the Committee in its capacity as administrator of the Plan shall not be effective until submitted to and ratified by the Board.

4. DEDICATED SHARES. The total number of shares of Stock with respect to which Initial Grants and Annual Grants (collectively, the "Options") may be granted under this Plan shall not exceed, in the aggregate, 100,000 shares; provided, that the class and aggregate number of shares of Stock which may be granted hereunder shall be subject to adjustment in accordance with the provisions of Paragraph 17. The shares of Stock may be treasury shares or authorized but unissued shares of Stock. In the event that any outstanding Option shall expire or is terminated or canceled for any reason, the shares of Stock allocable to the unexercised portion of that Option may again be subject to an Option or Options under the Plan.

5. GRANT OF OPTIONS. All Options granted under the Plan shall be Nonqualified Options which are not intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended.

6. ELIGIBILITY. The individuals who shall be eligible to receive Options under the Plan shall be each member of the Board who is not an employee of the Company or any affiliate of the Company ("Eligible Director").

7. OPTION GRANT SIZE AND GRANT DATES.

Annual Grants - If shares of Stock are available for issuance under the Plan, on a date established by the Committee, each Eligible Director who is continuing to serve as a director after such date, shall receive a grant of an Option to purchase the 2000 shares of Stock at the Fair Market Value of the Stock on the date of grant (an "Annual Grant").

Initial Grants -- If an Eligible Director is first elected or appointed to the Board (whichever is applicable), after the date of the immediately preceding Annual Grant but before the date chosen for the next Annual Grant, the Eligible Director shall be granted an Option to purchase the number of shares of Stock (rounded to the nearest whole share) which is determined my multiplying 2,000 shares by a fraction, the numerator of which is the number of months served actually served by the Eligible Director until the date of the next Annual Grant and the denominator of which is 12. The exercise price of such Stock shall be the Fair Market Value on the date of grant (an "Initial Grant"). The intent of this initial Grant is to provide the new Director with a prorated Option for the partial year served before the Annual Grant.

If the General Counsel of the Company determines, in his sole discretion, that the Company is in possession of material, nonpublic information about the Company or any of its subsidiaries, he may suspend granting of the Initial Grant and Annual Grant to each Eligible Director until the second trading day after public dissemination of the information, and the determination by the General Counsel that issuance of the Options is then appropriate.

8. OPTION PRICE; FAIR MARKET VALUE. The price at which shares of Stock may be purchased by each Eligible Director (the "Optionee") pursuant to his Initial Grant and each Annual Grant, respectively, shall be 100% of the "Fair Market Value" of the shares of Stock on the date of grant of the Initial Grant and each Annual Grant, as applicable.

For all purposes of this Plan, the "Fair Market Value" of the Stock as of any date means (a) 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; (b) 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; (c) 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 (d) 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.

9. DURATION OF OPTIONS. The term of each Option shall be seven (7) years from the date of grant. No Option shall be exercisable after the expiration of seven (7) years from the date the Option is granted.

10. AMOUNT EXERCISABLE. Each Option granted hereunder shall be exercisable in full after the first anniversary of the grant of the Option.

11. EXERCISE OF OPTIONS. Options shall be exercised by the delivery of written notice to the Company 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 (held by Optionee for at least six months) at its 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 Eligible Director certificates for the number of shares with respect to which the Option has been

exercised, issued in the Eligible Director'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 Eligible Director, at the address specified by the Eligible Director.

Whenever an Option is exercised by exchanging shares of Stock owned by the Optionee, the Optionee shall deliver to the Company certificates registered in the name of the Optionee representing a number of shares of Stock legally and beneficially owned by the Optionee, free of all liens, claims, and encumbrances of every kind, accompanied by stock powers duly endorsed in blank by the record holder of the shares represented by the certificates, (with signature guaranteed by a commercial bank or trust company or by a brokerage firm having a membership on a registered national stock exchange). The delivery of certificates upon the exercise of Options is subject to the condition that the person exercising the Option provide the Company with the information the Company might reasonably request pertaining to exercise, sale or other disposition.

12. NON-TRANSFERABILITY OF OPTIONS. Options shall not be transferable by the Optionee other than by will or under the laws of descent and distribution, and shall be exercisable, during the Optionee's lifetime, only by him.

13. TERMINATION OF DIRECTORSHIP OF OPTIONEE. If, before the date of expiration of the Option, the Optionee shall cease to be a director of the Company, the Option shall terminate on the earlier of the date of expiration or one (1) year after the date of ceasing to serve as a director. In this event, the Optionee shall have the right, prior to the termination of the Option, to exercise the Option if he was entitled to exercise the Option immediately prior to ceasing to serve as a director, however, in the event that the Optionee has ceased to serve as a director on or after attaining the age of seventy (70) years, the Optionee shall be entitled to exercise all or any part of such Option without regard to any limitations imposed pursuant to Paragraph 10, provided that in no event shall the Option be exercisable within six months after the date of grant.

Upon the death of the Optionee while serving as a director, his executors, administrators, or any person or 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 earlier of the date of expiration of the Option or one (1) year following the date of his death, to exercise the Option, in whole or in part without regard to any limitations imposed pursuant to Paragraph 10, provided that in no event shall the Option be exercisable within six months after the date of grant.

14. REQUIREMENTS OF LAW. The Company shall not be required to sell or issue any Stock under any option if issuing that Stock would constitute or result in a violation by the Optionee or the Company of any provision of any law, statute, or regulation of any governmental authority. Specifically, in connection with any applicable state or regulation relating to the registration of securities, upon exercise of any Option, the Company shall not be required to issue any Stock unless the Company has received evidence satisfactory to it to the effect that the holder of that Option 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. In the event the Stock issuable on exercise of an Option 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, or the issuance of shares under it, to comply with any law or regulation of any governmental authority.

15. NO RIGHTS AS STOCKHOLDER. No Optionee shall have any rights as a stockholder with respect to Stock covered by any Option until the date a stock certificate is issued for the Stock, and, except as otherwise provided in Paragraph 17 hereof, no adjustment for dividends, or otherwise, shall be made if the record date thereof is prior to the date of issuance of such certificate.

16. NO OBLIGATION TO RETAIN OPTIONEE. The granting of any Option shall not impose upon the Company or its stockholders any obligation to retain or continue to retain any Optionee or nominate any Optionee for election to continue in his capacity as a director of the Company. The right of the Company, the Board, and the stockholders to terminate the service of any Optionee as a director shall not be diminished or affected by reason of the fact that one or more Options have been or would be granted to him.

17. CHANGES IN THE COMPANY'S CAPITAL STRUCTURE. The existence of outstanding Options or Stock 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, recapitalization, 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 under this Plan 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 he would have received had he exercised his 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.

If while unexercised Options remain outstanding under the Plan (i) the Company shall not be the surviving entity in any merger, consolidation or other reorganization, (or survives only as a subsidiary of an entity other than an entity that was wholly-owned by the Company immediately prior to such merger, consolidation or other reorganization), (ii) the Company sells, leases or exchanges or agrees to sell, lease or exchange all or substantially all of its assets to any other person or entity (other than an entity wholly-owned by the Company), (iii) the Company is to be dissolved, or (iv) the Company is a party to any other corporate transaction (as defined under Section 424(a) of the Code and applicable Treasury Regulations) that is not described in clauses (i), (ii) or (iii) of this sentence (each such event is referred to herein as a "Corporate Change"), then (x) except as otherwise provided in an Option Agreement or as a result of the Committee's effectuation of one or more of the alternatives described below, there shall be no acceleration of the time at which any Option then outstanding may be exercised, and (y) no later than ten (10) days after the approval by the stockholders of the Company of such Corporate Change, the Committee, without the consent or approval of any Optionee, shall act to effect one or more of the following alternatives, which may vary among individual Optionees and which may vary among Options held by any individual Optionee:

(1) accelerate the time at which some or all of the Options then outstanding may be exercised so that such Options may be exercised in full for a limited period of time on or before a specified date (before or after such Corporate Change) fixed by the Committee, after which specified date all such Options that remain unexercised and all rights of Optionees thereunder shall terminate,

(2) require the mandatory surrender to the Company by all or selected Optionees of some or all of the then outstanding Options held by such Optionee (irrespective of whether such Options are then exercisable under the provisions of this Plan or the Option Agreements evidencing such Options) as of a date, before or after such Corporate Change, specified by the Committee, in which event the Committee shall thereupon cancel such Options and the Company shall pay to each such Optionee an amount of cash per share equal to the excess, if any, of the per share price offered to stockholders of the Company in connection with such Corporate Change over the exercise price(s) under such Options for such shares,

(3) with respect to all or selected Optionees, have some or all of their then outstanding Options (whether vested or unvested) assumed or have a new Option substituted for some or all of their then outstanding options (whether vested or unvested) by an entity which is a party to the transaction resulting in such Corporate Change and which is then, employing him, or a parent or subsidiary of such entity, provided that (A) such assumption or substitution is on a basis where the excess of the aggregate fair market value of the shares subject to the Option immediately after the assumption or substitution over the aggregate exercise price of such shares is equal to the excess of the aggregate fair market value of all shares subject to the Option immediately before such assumption or substitution over the aggregate exercise price of such shares, and (B) the assumed rights under such existing option or the substituted rights under such new Option as the case may be will have the same terms and conditions as the rights under the existing Option assumed or substituted for, as the case may be,

(4) provide that the number and class of shares of Stock covered by an Option (whether vested or unvested) theretofore granted shall be adjusted so that such Option when exercised shall thereafter cover the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the Optionee would have been entitled pursuant to the terms of the agreement and/or plan relating to such Corporate Change if, immediately prior to such Corporate Change, the Optionee had been the holder of record of the number of shares of Stock then covered by such Option, or

(5) make such adjustments to Options then outstanding as the Committee deems appropriate to reflect such Corporate Change (provided, however, that the Committee may determine that no such adjustment is necessary).

In effecting one or more of alternatives (3), (4) or (5) above, and except as otherwise may be provided in an Option Agreement, the Committee, in its sole and absolute discretion and without the consent or approval of any Optionee, may accelerate the time at which some or all Options then outstanding may be exercised.

In the event of changes in the outstanding Stock by reason of recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization occurring after the date of the grant of any Option and not otherwise provided for by this Section 17, any outstanding Options and any agreements evidencing such Options shall be subject to adjustment by the Committee as to the number and price of shares of stock or other consideration subject to such Options. In the event of any such change in the outstanding Stock, the aggregate number of shares available under this Plan may be appropriately adjusted by the Committee.

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 Restricted Stock appropriately adjusted based on the manner the Stock was adjusted under the terms of the agreement of merger or consolidation.

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 such issuance shall be made with respect to, the number, class, or price of shares of Stock then subject to outstanding Options or Stock Awards.

18. TERMINATION AND AMENDMENT OF PLAN. The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, 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, the Employee

Retirement Income Security Act or the rules and regulations promulgated thereunder, and provided, further, 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 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.

19. WRITTEN AGREEMENT. Each Option granted hereunder shall be embodied in written agreement, which shall be subject to the terms and conditions of this Plan and shall be signed by the Optionee and by the Chairman of the Board, the Vice Chairman, the President or any Vice President of the Company for and in the name and on behalf of the Company.

20. INDEMNIFICATION OF 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 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 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.

21. FORFEITURES. Notwithstanding any other provision of this Plan, if, before or after termination of the Optionee's capacity as a director of the Company, there is an adjudication by a court of competent jurisdiction that the Optionee committed fraud, embezzlement, theft, commission of felony, or proves dishonesty in the course of his advisory relationship to the Company and its affiliates which conduct materially damaged the Company or its affiliates, or disclosed trade secrets of the Company or its affiliates, then any outstanding options which have not been exercised by Optionee shall be forfeited. In order to provide the Company with an opportunity to enforce this Section, an Option may not be exercised if a lawsuit alleging that an action described in the preceding sentence has taken place until a final resolution of the lawsuit favorable to the Optionee.

22. 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.

23. HEADINGS. Headings 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.

24. GOVERNING LAW. The provisions of this Plan shall be construed, administered, and governed under the laws of the State of Texas.