

CUBIC CORP /DE/  
Form DEF 14A  
January 18, 2012

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**CUBIC CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
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(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**2012 NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND PROXY STATEMENT**

**SPECIAL NOTE TO  
SHAREHOLDERS HOLDING SHARES  
WITH THEIR BROKER**

**THE NEW YORK STOCK EXCHANGE PROHIBITS YOUR BROKER FROM VOTING YOUR SHARES IN ELECTIONS FOR DIRECTORS AND ON OTHER SPECIFIED MATTERS UNLESS YOU GIVE YOUR BROKER WRITTEN INSTRUCTIONS IN EACH ELECTION ON HOW YOU WANT YOUR SHARES VOTED. *YOUR VOTING DESIRES WILL NOT BE COUNTED UNLESS YOU DO THIS.* PLEASE EXPRESS YOUR OPINION AND HELP US CONTINUE TO ELECT DIRECTORS BY AN OVERWHELMING MAJORITY OF OUR SHAREHOLDERS.**

*Thank you* for your participation.

The Board of Directors

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**PRINCIPAL EXECUTIVE OFFICE**  
**9333 Balboa Avenue**  
**San Diego, California 92123**

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To Cubic Shareholders:

Cubic Corporation's 2012 Annual Meeting will be held in the Main Conference Room at the Headquarters of the Corporation, at 9333 Balboa Avenue, San Diego, California 92123, on February 28, 2012, at 11:30 a.m. Pacific Standard Time. The formal notice and proxy statement follow.

The Directors and Officers of the Corporation invite your attendance at the meeting. Whether or not you plan to attend the meeting, we would appreciate your completing and returning the accompanying proxy which, of course, may be revoked at any time before it is used.

The Corporation's 2011 Annual Report is enclosed.

Sincerely yours,

Walter J. Zable  
*Chairman of the Board*

January 17, 2012

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**TO ENSURE YOUR REPRESENTATION AT THE MEETING,  
PLEASE DATE, SIGN AND MAIL PROMPTLY  
THE ENCLOSED PROXY, FOR WHICH  
A RETURN ENVELOPE IS PROVIDED.  
YOU MAY ALSO VOTE BY  
TELEPHONE OR ON-LINE. SEE  
ATTACHED INSTRUCTIONS FOR VOTING.**

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**NOTICE OF ANNUAL MEETING**

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The 2012 Annual Meeting of Shareholders of Cubic Corporation will be held in the Main Conference Room at the Headquarters of the Corporation, at 9333 Balboa Avenue, San Diego, California 92123, on February 28, 2012, at 11:30 a.m. Pacific Standard Time, for the following purposes:

1. To elect seven Directors for the ensuing year;
2. To confirm the appointment of Ernst & Young LLP as auditors of the Corporation for fiscal year 2012;
3. Advisory vote on Executive Compensation; and
4. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on January 2, 2012 will be entitled to vote at the meeting. The transfer books will not be closed.

By Order of the Board of Directors

William L. Hoese  
*Secretary*

San Diego, California  
January 17, 2012

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**PRINCIPAL EXECUTIVE OFFICE**  
**9333 Balboa Avenue**  
**San Diego, California 92123**

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**PROXY STATEMENT**

We encourage your personal attendance.

Proxies in the form enclosed and/or as shown at [www.proxyvote.com](http://www.proxyvote.com) are solicited by the Board of Directors for use at the Annual Meeting of Shareholders to be held in San Diego, California, on February 28, 2012. Execution of a proxy will not in any way affect a shareholder's right to attend the meeting and vote in person, and any shareholder giving a proxy has the right to revoke it at any time before it is exercised, by filing with the Secretary of the Corporation a written revocation or duly executed proxy bearing a later date. The proxy will be suspended if the shareholder is present at the meeting and elects to vote in person.

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**OUTSTANDING SHARES AND VOTING RIGHTS**

A quorum of shareholders is required. A quorum exists if a majority of the outstanding shares are represented by shareholders present at the meeting or by proxy. Abstentions and broker non-votes will be counted towards the quorum requirement. 26,736,307 shares of our Common Stock were outstanding at January 2, 2012, which is the record date for voting.

Each holder of common shares is entitled to one vote for each share. Votes will be counted by the Inspector of Elections. Abstentions will be counted towards the vote total for each proposal, and will have the same effect as "Against" votes. Advisory votes are not binding but will be noted by the Board. Broker non-votes count to determine a quorum but otherwise have no effect and are not counted towards the vote total for any proposal. Proxies without authority to vote will also not be counted in votes cast.

There are no rights of appraisal or similar rights of dissenters with respect to any matter to be acted upon at the Annual Meeting

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The approximate date on which the proxy statement and form of proxy are first being sent or given to shareholders is January 17, 2011.

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The following shareholder was a beneficial owner of more than 5% of the Corporation's outstanding Common Stock at December 30, 2011 (after deduction of Treasury Shares):

<b>Name and Address</b>	<b>Amount Beneficially Owned</b>	<b>Percent Owned</b>
Walter J. Zable P. O. Box 1525 Rancho Santa Fe California 92067	10,354,351 <sup>(2)</sup>	38.7%

The following table sets forth information with respect to beneficial ownership of the Corporation's Common Stock by Directors, named Executive Officers and all Officers and Directors as a group as at December 30, 2011. Where such number of shares exceeds 1% outstanding on such date, the percentage of such class is indicated in parentheses. Each individual named has sole investment and voting power with respect to the shares shown.

<b>Name</b>	<b>Amount Beneficially Owned<sup>(1)</sup></b>
Walter J. Zable (38.7%) <sup>(2)</sup>	10,354,351
Walter C. Zable (1.7%) <sup>(3)</sup>	449,641
Bruce G. Blakley <sup>(4)</sup>	4,313
William W. Boyle	1,800
Edwin A. Guiles <sup>(4)</sup>	3,563
Robert S. Sullivan <sup>(4)</sup>	4,500
John D. Thomas	2,598
John H. Warner, Jr. <sup>(4)</sup>	4,500
Mark A. Harrison	1,000
All Officers and Directors as a Group (13 persons) (40%)	10,826,266

(1) All shares are owned directly except as indicated. No shares are pledged. Less than 1% of outstanding except as indicated.

(2) By virtue of his beneficial share ownership, Walter J. Zable may be deemed to be a "Control" person of the Corporation as that term is defined in the Securities Exchange Act of 1934. Walter J. Zable's shares are beneficially owned indirectly through Trusts and a public benefit charitable corporation, the terms of which establish sole voting power in Mr. Zable.

(3) A portion of the shares of Walter C. Zable are beneficially owned indirectly through a Trust, the terms of which establish sole voting power in Mr. Zable.

(4) Vested options to purchase Common Stock.



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**ELECTION OF DIRECTORS**

Our Board of Directors has seven members who are to be elected by a plurality vote at the Annual Meeting, each to hold office for one year and until his successor is elected. The Nominating and Corporate Governance Committee and the Board have unanimously recommended the election of the seven Directors listed below. Four nominated Directors are independent and three are executive employees of the Company. Proxy holders will, unless authorization to do so is withheld, vote the proxies received by them for the election of the listed Directors, in accordance with this proxy authorization, reserving the right, however, to distribute, in their discretion, their votes of uncommitted proxies among the Board nominees. The proxies cannot be voted for a greater number of persons than the number of nominees named. Although it is not contemplated that any nominee will be unable to serve as a Director, in such event the proxies will be voted by the proxy holders for such other persons as may be designated by the Board of Directors.

**THE BOARD OF DIRECTORS**

**Charters**

The Company's Corporate Governance Guidelines and the Charters of the Audit and Compliance Committee, the Executive Compensation Committee and the Nominating and Corporate Governance Committee, the Ethical Conduct Policies, including those applicable to our principal executive, financial and accounting officers, and our Conflicts of Interest Policy, are all available on our website: [cubic.com/Investor-Relations/Corporate-Governance](http://cubic.com/Investor-Relations/Corporate-Governance).

**Compensation**

Independent Directors are each paid an annual retainer of \$22,000 and fees of \$2,000 for attendance at each meeting of the Board and \$1,000 for attendance at each meeting of any Committee of which a Director is a Member. The Chairman of the Audit Committee receives an additional \$10,000 per year for his service in this position. Independent Directors also participate in the Company's Stock Option Plan and each has been granted options to purchase 4,500 shares of common stock at the closing market price the day after the grant. Employee-directors receive no additional compensation for their service as Directors. All Directors are reimbursed for travel expenses.

**Meetings**

The Board of Directors met five times last fiscal year. Each of the incumbent Directors attended all Board meetings except former director VADM Raymond E. Peet (USN Retired) who missed one meeting due to illness, and Walter C. Zable who missed one meeting due to travel out of the country. All members attended all meetings of Board Committees on which he served except VADM Peet and John H. Warner, Jr., who each missed one Audit Committee meeting due to illness and a business conflict, respectively.

Independent directors regularly meet without management present at the conclusion of each regular Audit Committee meeting and at other times as necessary. The lead director, Dr. Sullivan, chairs these sessions.

The Board of Directors encourages its members to attend the Annual Meeting of Shareholders. The 2011 annual meeting was attended by all incumbent directors.

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**THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE "FOR" EACH OF THE SEVEN NOMINEES LISTED BELOW.**

**Management Directors**

Walter J. Zable, 96, Director since 1951. Chairman of the Board.

Walter C. Zable, 65, Director since 1976. Vice Chairman of the Board.

William W. Boyle, MBA, 77, Director since 1995.

**Independent Directors**

The Nominating Committee has determined and the Board has agreed that the following independent directors meet the independence standards of New York Stock Exchange and the categorical independence standards adopted by the Company's Board as defined in the Company's Corporate Governance Guidelines.

Bruce G. Blakley, CPA, 66, Director since 2008.

Edwin A. Guiles, 62, Director since 2008.

Robert S. Sullivan, PhD, 67, Director since 2004.

John H. Warner, Jr., PhD, 70, Director since 2007.

**Special Board Qualifications**

The Nominating Committee and the Board believe the nominees are qualified to serve and should be elected in light of our business and structure because of the following specific experience, qualifications, attributes or skills.

*Bruce G. Blakley.* Independent director. He is a CPA and is chair of our Audit and Compliance Committee and is our Audit Committee Financial Expert. He also is a member of the Executive Compensation Committee. Mr. Blakley was an audit partner and, from 1996 to 1998, was Managing Partner in the San Diego office of the national accounting firm Coopers & Lybrand (PricewaterhouseCoopers since 1998). He was employed there in auditing private and public companies and consulting with their boards of directors and executives for 32 years until his retirement in 2005. He maintains his CPA license and teaches at the University of California, San Diego. He has been a director and Audit Committee Chair of Excel Trust, Inc. (NYSE: EXL) since April 2010. In 2007 he completed two years of service as Board Chair of The San Diego Foundation, a non-profit organization with over \$575 million in assets. He has also been chair of its Finance, Audit and Executive Committees, and a director for 14 years. Mr. Blakley's public, private and non-profit business experience and his academic experience provide him with the background to be a very important member of the board of directors for Cubic Corporation, particularly regarding financial matters of the company.

*William W. Boyle.* MBA. Senior Vice President and member of the Executive Committee. Since 1983 he has been Cubic's Chief Financial Officer. Previously, Mr. Boyle held management positions with General Electric, Occidental Petroleum, and the Wickes Corporation. He has extensive experience in financing, banking relationships, human resources, management of legal issues and strategic planning.

*Edwin A. Guiles.* Independent director and a member of the Audit and Compliance Committee since 2008 and the Executive Compensation Committee since 2010. He retired in 2009 as Executive Vice President Corporate Development of Sempra Energy, a Fortune 400 company. From 2000 to 2006 Mr. Guiles was Chairman and CEO of Sempra Energy's utilities San Diego Gas & Electric Company and Southern California Gas Company. He held a variety of management positions since joining SDG&E in 1972. Since 2008, he has also been a director of the California Water Service Group. At SDG&E he held increasingly important jobs including managing its natural gas pipeline transmission system, and administration of its 20% ownership interest in the San Onofre Nuclear

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Generating System. As an executive in a highly regulated industry, he brings unique governmental relations experience to our Board of Directors. He is also very knowledgeable in risk management, which is attracting close scrutiny at this time. Mr. Guiles' public and non-profit business experience provides him with the background to be a very important member of the board of directors for Cubic Corporation, particularly regarding financial, risk and government related matters for the company.

*Robert S. Sullivan Ph.D.* Lead independent director. He is chairman of the Executive Compensation Committee and member of the Audit and Compliance Committee and the Executive Committee. Since 2003 he has been Dean, Rady School of Management, University of California, San Diego. He also serves as a Director for American Assets Trust, Inc. (NYSE: AAT), which became a publicly traded company in January 2011. From 1998 through 2002 he was Dean, Kenan-Flagler Business School, University of North Carolina, Chapel Hill. Between 1976 and 1998 Dr. Sullivan served in a variety of senior positions at the University of Texas and at Carnegie Mellon University. He was a Director of Stewart and Stevenson Services, Inc. and Chairman of its Board from 1999 to 2003. He also served on its Compensation, Audit, Executive and Nominating Committees from 1992 to 2006 when it was acquired and became a subsidiary of Armor Holdings. Prior to its acquisition this publicly-held company was a designer and manufacturer of tactical vehicle systems for the U.S. military. At that time it employed 1,245 people and its fiscal 2006 sales exceeded \$726 million. Dr. Sullivan's public and private business and board experience and his academic executive experience provides him with the background to be a very important member of the board of directors for Cubic Corporation.

*John H. Warner, Jr., Ph.D.* Independent director. He is a member of the Audit and Compliance Committee and Chairman of the Nominating and Governance Committee. He retired in June, 2007 from Science Applications International Corporation (SAIC) where he was a director for 18 years and Executive Vice President and Chief Administrative Officer, having begun employment there in 1973. Dr. Warner is an engineer with BS, MS and Ph.D degrees in nuclear engineering. He has over 41 years of experience in defense, intelligence and other government business areas as a result of employment at TRW and SAIC. His business experience is mainly in the areas of systems integration, software development and information technology, electronics, communications, security and service support, all important areas for Cubic Corporation. His experience includes contract activities and product sales for both domestic and international government customers and some commercial businesses. Dr. Warner has direct experience with many of Cubic's current customers as well as customers Cubic seeks to obtain. At SAIC he advanced to positions with increasing line responsibilities including executive management and EVP of organizations with more than 13,500 employees and annual revenues over \$1.6 billion. During his career at SAIC, he was responsible for starting and growing the military training business for the US Army and Navy as well as international customers, a very important business area for Cubic. Dr. Warner also served six years as a member of the Board of Trustees for Scripps Health, a \$1.5 billion per year San Diego healthcare company. He chaired its Compensation and Human Resources Committee and was a member of its Finance and Investment Committees. He currently serves on the Board of Directors of TREX Enterprises, a small private defense and homeland security R&D company and ICW Group, a private insurance company. At ICW Group, he chairs the Enterprise Risk Committee and is a member of the Audit Committee. Dr. Warner's business experience and his public and private company board experience provides him with the background to be a very important member of the board of directors for Cubic Corporation.

*Walter J. Zable.* President and Chief Executive Officer and Chairman of the Executive Committee since 1951. Founder of the Company. He has vast knowledge of our products, services, customers and markets.

*Walter C. Zable.* Vice President and Vice Chairman of the Executive Committee. Chairman of the Board of Cubic Transportation Systems, Inc., a wholly-owned subsidiary, since 2003. Since 1976 he has held a variety of management positions with increasing responsibilities primarily with our transportation subsidiary. He is the son of Walter J. Zable.

Table of Contents**Board Committee Members**

Name	Audit & Compliance	Nominating & Governance	Executive Compensation	Executive
Bruce G. Blakley	*X		X	
Edwin A. Guiles	X		X	
Robert S. Sullivan	X	X	*X	X
John H. Warner, Jr.	X	*X		
Walter J. Zable				*X
Walter C. Zable				X
William W. Boyle				X

\*

Chairman

**Communications with Directors**

Any interested person may communicate in writing by mail at any time with the whole board, the independent directors or any individual director addressed to "Board of Directors" or "Independent Directors" or to a named director, c/o Corporate Secretary, 9333 Balboa Avenue, San Diego, CA 92123 or by e-mail to *CorporateSecretary@Cubic.com*. All communications will be promptly relayed to the appropriate directors. The Corporate Secretary will coordinate responses, if any.

**Positions of Chairman and Chief Executive Officer**

Due to the relatively smaller size of the Company and the fact that the CEO owns or controls about 40% of the outstanding shares, we combine the positions of Chairman and CEO. The Board's decision as to whether the roles of the Chairman and CEO should be separate is to adopt the practice which best serves our needs at any particular time. The Board believes that no single, one-size fits all, board-leadership model is universally or permanently appropriate. We believe that our current structure, which includes a lead independent director, effectively maintains independent oversight of management. The lead independent director also maintains enhanced contact with the CEO. Additionally, the independent directors work with our enterprise risk management chairman and receive periodic updates to the activities of this group.

**PRINCIPAL OFFICERS**

In addition to the Directors who are principal officers, the following also serve at the pleasure of the Board:

*Mark A. Harrison, CPA, 54.* Vice President and Corporate Controller since 2004 and Vice President Financial Planning and Accounting from 2000 to 2004. From 1991 to 2000 Mr. Harrison was our Assistant Corporate Controller and Director of Financial Planning and since 1983 he has held a variety of financial positions with the Corporation. From 1980 to 1983 he was a Senior Auditor with Ernst & Young.

*William L. Hoese, JD, 74.* Vice President, Corporate Secretary and General Counsel since July 2005; Assistant General Counsel and Corporate Secretary from 2003 to 2005. From 1994 through 2001 Mr. Hoese was Senior Vice President and General Counsel of American Tool Companies, Inc., a manufacturer of hand tools and power tool accessories. From 1966 through 1994 he was a partner in the San Diego law firm of Luce, Forward, Hamilton & Scripps, LLP. From 1995 to 2005 he was a Director and Member of the Audit Committee of Nitches, Inc., a manufacturer and wholesaler of women's garments. He is the chair of our Enterprise Risk Management Group.

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*Bernard A. Kulchin, 80.* Vice President Human Resources since 1999. From 1971 to 1991 Mr. Kulchin was Vice President of Human Resources for the San Diego Division of General Dynamics Corporation and from 1991 through 1999 was a Human Resources consultant.

*John A. Minteer, MBA, 60.* Vice President Information Technologies since 2002. He was our Director of Information Technologies from 2000 to 2002 and from 1994 to 2000 was Manager, Systems Integration.

*Gregory L. Tanner, MBA, 53.* Treasurer. He was Assistant Treasurer from 1998 to 2007 and joined our Treasury Department in 1990.

*John D. Thomas, CPA, MBA, 58.* Vice President Finance since 1994 and also Vice President Corporate Development since 2008. He has held a variety of financial management positions with the Corporation since 1980.

**Presidents of Significant Subsidiaries**

These leaders are not Named Executive Officers of the Company but are important to its overall success.

*Jimmie L. Balentine, 68.* President of the companies comprising our Mission Support Services Segment (MSS) since 1994. Mr. Balentine is responsible for the development, management, and execution of Cubic's defense services business, worldwide. Our MSS business employs approximately 5,000 people at more than 130 locations in 21 countries. MSS focuses on services markets for the US Department of Defense, Department of Homeland Security, other federal and state Government agencies, and our allies. Mr. Balentine has in-depth experience in all aspects of providing services and operations support to meet government requirements. He has more than twenty-eight years of related senior corporate experience ranging from program manager through senior executive levels of management. He joined Cubic in 1994 when Cubic acquired Titan Corporation's Applications Group, where he served as general manager of the group's largest operating division. Prior to joining Titan in 1987, he worked for the Logicon Corporation for five years as a business developer, program manager, and division general manager. Mr. Balentine has focused on business activities related to command and control operations and systems; live, virtual, and constructive simulation-based training and exercises; professional military education; software and systems development and integration; and related technology applications. He has been instrumental in establishing, performing, and managing major DOD programs for the development, integration, and application of advanced command and control concepts; training concepts; models and simulations; and networking technologies to support current and future requirements. He has managed Cubic's government services business since September of 2002. Mr. Balentine served more than twenty-three years on active duty in the US Army. As a commissioned officer he held key command and staff positions in organizational size from company through division levels, as well as in Special Operations Forces worldwide. He also served in key staff positions at Department of the Army and Joint Theater Command levels. He earned his undergraduate degree in Management and Economics from Seattle University and completed graduate level studies in computer science at Kansas State University.

*Bradley H. Feldmann, 50.* President of the companies which comprise the Cubic Defense Segment (CDS) since 2008. CDS is our defense systems and products business, which employs approximately 1,400 people, spread over 12 countries. These businesses include: air combat training, ground combat training, virtual training, communications, global tracking, and cyber solutions. From 1989 to 1999, he held progressively responsible positions with CDS including Senior Vice President and Chief Operating Officer (COO). From 1999 to 2000, Mr. Feldmann served as Senior Corporate Vice President and COO at Comptek Research Inc., a defense operation with 1,200 employees focused in electronic warfare and for which he lead the sale to Northrop Grumman. From 2000 to 2004, he served

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as Executive Corporate Vice President and President of Man Tech International Information Technology Group. From 2005 to 2006, Feldmann performed as President and CEO of US Protect Corporation, and from 2006 to 2008, he served as COO of OMNIPLEX World Services Corporation, a \$100m, 1,200-person operation focused on force protection, physical security, and personnel security services. He is a Distinguished Graduate of the U.S. Air Force Academy holding a BSEE degree and Top Graduate of the USAF Squadron Officers School. Mr. Feldmann holds an MBA in Finance from San Diego State University (Beta Gamma Honor Society) and completed executive courses at American Electronics Association/Stanford Executive Institute at Stanford University and Leadership at the Peak Center for Creative Leadership.

*Stephen O. Shewmaker, 61.* President of the companies which comprise the Cubic Transportation Systems Segment (CTS) since 2008. He is an international transit professional who has over 21 years of experience in the mass transit ticketing industry. He has worked with Cubic's defense (CDS) and transportation (CTS) groups from 1982 to 2002 and 2006 to the present. CTS maintains offices and facilities in North America, United Kingdom, Australia, Scandinavia and Germany. Mr. Shewmaker was Chairman of TranSys, Ltd., a joint venture in the U.K. which managed the Prestige (Oyster) smart card ticketing contract with Transport for London and other partners. Cubic, along with Hewlett Packard, are the two major shareholders of TranSys. The Oyster card is the award winning smart card system which processes 6.5 million transactions per day in the Greater London area. From 2003 to 2006, Mr. Shewmaker was Sr. Vice President for Thales Transportation Systems. U.S. markets of interest for Thales included mass transit automatic fare collection, fleet management systems, toll road and parking revenue collection systems, advanced security systems, and managed services contracts related to transportation. He is a graduate of Loyola Marymount University and has completed graduate business courses at both U.C. Berkeley and Stanford University.

**BOARD COMMITTEES**

**Audit and Compliance Committee**

In fiscal year 2011 all independent directors were members of this Committee which met six times. Each member is independent as defined under Rule 303A.02 of the New York Stock Exchange Listed Company Manual and in our Corporate Governance Guidelines and is financially literate. Mr. Blakley is our Audit Committee Financial Expert and has extensive accounting experience.

The Committee oversees the Company's financial reporting process. It is responsible for the appointment, retention and termination of the independent auditors and their compensation. It resolves any disputes between management and the auditors. It pre-approves all audit and non-audit services according to a written plan and budget submitted by the auditors. It meets at least quarterly with the auditors and reviews their periodic reports. The Committee discusses with the auditors the scope and plan for the audit and includes management in its review of accounting and financial controls, assessment of business risks and legal and ethical compliance programs.

No independent director has been a member of an audit committee of any other publicly-held company except Mr. Blakley who is Chair of an audit committee for a publicly held real estate investment trust. The trust is unrelated to Cubic and its subsidiaries and does not present any conflicts of interest for Cubic nor the industry in which it operates.

**Report of the Audit and Compliance Committee**

*The material in this report is not "soliciting material," is not deemed "filed" with the Securities and Exchange Commission, and is not to be incorporated by reference into any filing of Cubic under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.*

The Committee selected Ernst & Young LLP as the independent registered public accountants ("Accountants") of the Company for fiscal year 2011. The Committee has reviewed and discussed with

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management and the Accountants the audited financial statements of the Company for the fiscal year ended September 30, 2011. The Committee has also discussed with Accountants the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, and has received from Accountants the written disclosures and the letter required by the Public Company Accounting Oversight Board (Independence Discussions with Audit Committees), and has discussed with Accountants their independence.

Based on its review of the audited financial statements for fiscal year 2011 and its discussions with management and the Accountants, the Committee recommended to our Board of Directors that the 2011 audited financial statements be included in the Corporation's Annual Report on SEC Form 10-K.

/s/ Bruce G. Blakley, Chairman  
/s/ Dr. Robert S. Sullivan

/s/ Edwin A. Guiles  
/s/ Dr. John H. Warner,  
Jr.

**Executive Compensation Committee**

The Committee members are Dr. Robert S. Sullivan, Chairman, Bruce G. Blakley and Edwin A. Guiles. The Committee met two times during fiscal 2011. Each of the members of the Committee is independent as defined under Section 303A.02 of the New York Stock Exchange Listed Company Manual.

**Compensation Committee Interlocks and Insider Participation**

During the fiscal year, Messrs. Sullivan, Blakley and Guiles did not serve either as a director or as a member of the compensation committee of any other entity whose executive officers served either as a director or as a member of the Executive Compensation Committee of the Company. Therefore, there were no "interlocks" with other companies within the meaning of the proxy rules of the Securities Exchange Commission. No member of the Committee is a former or current officer or employee of the Company or any of its subsidiaries. See also the section "Executive Compensation and Other Information" later herein.

**Nominating and Corporate Governance Committee**

Cubic Corporation has had a Nominating Committee, consisting of two independent directors, since 1991. The duties of this Committee were expanded in August, 2008 to include Corporate Governance. The fiscal 2011 members of the Committee were Dr. John H. Warner, Jr., Chairman and Dr. Robert S. Sullivan.

The Committee held one meeting during fiscal 2011. The Committee has received one shareholder expression of interest to serve as a director in the last 10 years but this individual did not appear to have appropriate background and experience. The Committee's policy is to consider recommendations of shareholders which are received by the Corporate Secretary at least 120 days prior to one year from the date of the mailing of Notice of the previous annual meeting of shareholders. Recommendations of candidates who have at least 20 years of management and defense or transportation industry experience with a company with sales of at least 75% of that of the Corporation, or who could bring appropriate diversity to the Board, or who possess other relevant qualifications (for example finance and accounting, marketing) would be preferred. If a vacancy in the Board occurs, the Committee seeks recommendations from the Board and senior management personnel. The Committee will also review any security holder recommendations on file. It screens and personally interviews appropriate candidates. Selected candidates may meet with additional Board members, certain members of management and the Chairman of the Board. The Committee evaluates responses and recommends to the full Board the name of any candidate it feels should become a nominee for election or appointment.

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The Governance responsibilities of the Committee include tracking important legal and regulatory changes and new concepts in entity governance. Additionally, it is advised concerning the training activities supervised by the Senior Counsel, Ethics and Compliance and the Human Resources department.

In conjunction with the Audit Committee and the Board of Directors, the Committee also addresses Company legal compliance efforts in certain complex areas, such as export control, antitrust and foreign corrupt practices. It also oversees supervisor training topics. In conjunction with the Audit Committee and the Board of Directors it is cognizant of enterprise risk. In its analysis, enterprise risk does not necessarily include the hundreds of risks which, if encountered, could be mitigated without substantial harm to any major segments of the Company. Instead, the concern is to identify, and have a plan to respond to, those few issues which could seriously impact the short or long term ability of the Company, or one of its material divisions, to continue normal operations.

/s/ Dr. John H. Warner, Jr., Chairman

/s/ Dr. Robert S. Sullivan

**Risk Management**

The Audit Committee reviews and approves the procedures adopted and conclusions reached by our management Enterprise Risk Group (ERG) and discusses with the chair of the ERG, or the ERG itself, major risk exposures and the steps that have been taken to monitor and control such exposures.

Matters of risk management are brought to the attention of the Audit Committee by the General Counsel, who chairs the ERG, and the Director of Internal Audit. The ERG reviews and assesses perceived risks to the enterprise as a whole and its three major subsidiaries. It works with relevant managers and develops mitigation and remediation plans. Periodic reports are made.

We have an ERG for the parent company and sub-groups for each of our major subsidiaries. Each group, led by the Chair, consists of its senior officers who meet periodically to identify, assess and rank the perceived severity of risks unique to their businesses. Appropriate mitigation plans and training will be implemented. The activities of the ERG were first formally implemented in early FY2010 and continue to evolve and mature. To date, the ERG has not identified any risks, capable of control, which it believes cannot be reasonably controlled.



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**ADVISORY VOTE TO APPROVE EXECUTIVE OFFICER COMPENSATION**

The Board is seeking your approval of the compensation of our executives as disclosed in the compensation tables and accompanying narrative in the Proxy Statement, including the Executive Compensation Committee Discussion and Analysis and Compensation Committee Report. This proposal, commonly known as a "Say on Pay" proposal, gives you the opportunity to express your views on the Company's executive compensation practices. Because your vote is advisory, it will not be binding upon the Board. However, the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions. At our February 2011 Annual Meeting, shareholders approved our Executive Compensation policies by a strong majority, (96%: 22,835,610 in favor, 214,740 against, and 742,884 abstained). We will bring a similar proposal to you at each annual meeting of shareholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL**

*"Resolved, Cubic's payments to its executives during fiscal year 2011, as described in its Proxy Statement dated January 11, 2011 are hereby approved."*

The Board recognizes that there is considerable public discussion regarding appropriate approaches to compensation. However, the Board believes that the Company's executive compensation policies are balanced, appropriately focused on pay for performance principles, strongly aligned with the long-term interests of our shareholders, and enable the Company to attract and retain strong and experienced senior executives.

As described more fully in the Executive Compensation Committee Discussion and Analysis and Compensation Committee Report herein, the Company evaluates executive officer compensation in several different ways, including reviewing market survey compensation data, reviewing customized compensation information for companies of comparable size and complexity and receiving advice and recommendations from the Chief Executive Officer. These multiple bases of review and evaluation ensure that our executive compensation is competitive yet closely tied to each executive officer's performance. Additionally, the Company's formula bonus program recognizes and rewards the success of executives who manage performance to achieve the short-term goals set for them every year by the Company and the Executive Compensation Committee.

**EXECUTIVE COMPENSATION AND OTHER INFORMATION**

**Executive Compensation Committee, Discussion and Analysis**

The Committee receives, reviews, and acts on recommendations from the Chief Executive Officer regarding salary and bonus compensation for all elected corporate principal officers including the Named Executive Officers ("NEOs"), for the senior officers of its major business units and for our independent directors. Other executive officers may provide relevant input. It evaluates these compensation elements annually and approves them, or makes alternative recommendations to the CEO. It receives input from the CEO on his salary and bonus expectations and acts independently to set such amounts. If relatives of any director or elected corporate principal officer are also employees of the Company or any subsidiary and make more than \$120,000 the Committee also reviews salary and bonus recommendations for such individuals. The Committee also reviews market survey data from Radford and Mercer companies (which is not customized for the Company) with the Senior Vice President Chief Financial Officer and the Vice President Human Resources. The Committee also acts on management's recommendations for the total amount of the bonus pool and the total annual payment to the Profit Sharing Plan. The Profit Sharing payment does not significantly fluctuate from year-to-year and has been typically about 8.5% of eligible U.S. payroll, although there is no guarantee that it will be set at that level or that such allocation will be made at all. The total bonus allocation for principal elected corporate officers depends on the annual performance goals and can range from 10%

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to as high as 90% of annual salary for those individuals. Elected officer bonus targets are annually determined by a formula involving management's judgment and the approval of the Executive Compensation Committee of a few factors which are most likely to enhance shareholder value. Recently, the most weight has been on earnings per share. As the table below illustrates, target levels have usually been set to require attainable increases over the prior year's goals, neither very aggressive nor easy to achieve. Management believes this approach specifically eliminates risk-taking business management tactics especially because failure to attain any target cannot be controlled by only a few individuals and it penalizes all participants. Senior management employees of our business segments also participate in similarly-structured bonus plans tailored to their own business goals. However, usually about 20% of their bonus is determined by overall corporate performance.

In fiscal year 2011, the Committee, in addition to the above input, independently engaged and received advice from and separately compensated Compensia, Inc. (formerly known as the Remedy Compensation Consulting Co.) regarding senior executive compensation.

Because management and the Board believe our compensation policies are not reasonably likely to result in the incurrence of a material adverse financial or other effect, we have not had a policy requiring a return ("claw back") of bonus payments if our financial statements were required to be restated. Moreover, we believe our compensation policies and practices have not and will not impact our risk management objectives.

We presently have two elements in our executive compensation plan: base salary and an annual formula bonus. There is no equity segment. The bonus therefore recognizes the success, or lack thereof, of selected individuals in leading the Company to achieve short-term goals. The base salary is designed to be a fairly competitive amount. The 2011 bonus formula identified the major bonus element as earnings per share. We selected this element because we believe EPS to be a principal driver of the attractiveness of an equity investment in Cubic. The elements are weighted depending on the Committee's belief regarding the suitability of emphasis of each factor for that year's performance. In our 2011 formula, no leeway was provided to adjust goal amounts or percentage allocations depending on actual performance. We anticipate that the 2012 plan will be similar.

The Executive Compensation Committee approved a formula plan for executive officers whose 2011 goals for sales, operating profit, return on net assets and earnings per share are shown below and are compared to our 2010 actual results. Each of the 2011 goals were exceeded, some by substantial percentages, and the target bonus was therefore exceeded by the amount set out in the plan formula.

Item	2010		2011		2011	
	Target Level	Actual Level	Weighting %	Target Level	Actual Level	
Sales	\$ 1,113,000,000	\$ 1,194,189,000	10%	\$ 1,233,000,000	\$ 1,285,203,000	
EBITDA <sup>(1)</sup>	\$ 105,967,000	\$ 119,994,000	10%	\$ 116,800,000	\$ 134,676,000	
Return on Net Operating Assets	30%	67.2%	30%	30.0%	61.2%	
Earnings Per Share	\$ 2.20	\$ 2.64	50%	\$ 2.40	\$ 3.17	

(1) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is a non-GAAP performance measure management uses that excludes income taxes, capital structure related expenses, non-operating income and expenses and depreciation and amortization. We calculate it by adding back depreciation and amortization to operating income.

The formula provided:

For each 1% achievement above goal the bonus for that goal would be increased by 2.5% to a maximum of an additional 50% of that award at an achievement of 20% above goal. For each 1% shortfall in each goal the bonus would be decreased by 3%, 4.5% or 5% (depending on the amount of

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shortfall) so that a 75% achievement of any goal would result in no award for that goal. The plan provides for a floor of 10% of salary.

The Company does not offer sponsored equity arrangements. The Committee evaluates and approves all awards under the Company's Transition Protection Plan, discussed later herein. The few additional perquisites offered to senior executives are modest and are not considered by the Committee to be material elements of individual compensation. These include annual physical examinations, term life insurance, an auto allowance, and for Walter J. Zable an annual amount for personal estate planning services. Pension benefits, 401(k) matching payments and Profit Sharing Plan participations are equally available to all eligible employees.

**Compensation Committee Report**

*The following report is "soliciting material" and is deemed incorporated by reference for our filings under the Securities Act of 1933 and the Securities Exchange Act of 1934, each as amended.*

In order to attract, retain and motivate senior executives, most of our compensation evaluation focus is on the salary and bonus practices of organizations of similar size, in comparable industries, and concerning individuals with relevant responsibilities and experience.

As noted above, for executive salaries and bonuses starting in fiscal year 2010 the Executive Compensation Committee directly retained a compensation consultant to advise it. This firm performed no other work for the Company and the engagement is not believed to have caused any conflict of interest. This firm was asked to survey similarly sized companies in similar businesses in respect of senior executive positions and responsibilities, taking into account the range of salary and bonus compensation without reference to perquisites and equity-based or related awards. It was also asked for input concerning independent director compensation.

Through fiscal year 2011 executive compensation levels by job category were annually tested against market data provided by two independent consulting firms (Radford and Mercer companies), which are engaged by our Human Resources Department. These companies have both a regional and national focus. These surveys include data from up to 2,200 companies and survey both executive and non-executive salaries, bonuses and equity compensation. We do not instruct the providers of this data to significantly vary their reports from a standard format. Our objective is to obtain data from a broad spectrum of technology and defense companies and also from public companies of similar size in sales. Historical compensation for the individual is also considered. Commonly, annual executive salary adjustments are modest and in line with cost of living considerations. Compensation consultants may also provide, on request, cash compensation analysis during the year for mid-year hires and promotions.

Our Transition Protection Plan assists in the retention and attraction of senior individuals by reducing their concern for financial security in the event of a job loss following a change of control. Awards to date, which result in plan participation, are for payment of five-year average compensation, and certain fringe benefits, for not more than 24 months following a change of control. The 24-month period was selected to remain comfortably below the range at which onerous taxation would occur.

The Compensation Committee makes recommendations to the Board of Directors concerning the compensation of the Company's executives. We