

CUBIC CORP /DE/  
Form DEF 14A  
January 17, 2006  
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  x  
Filed by a Party other than the Registrant  o  
Check the appropriate box:

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

**CUBIC CORPORATION**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o 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:
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  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (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.
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**2006**    **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND PROXY STATEMENT**

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

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To Cubic Shareholders:

Cubic Corporation's 2006 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 21, 2006, at 11:00 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 2005 Annual Report is enclosed.

Sincerely yours,

Walter J. Zable  
*Chairman of the Board*

January 10, 2006

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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.**

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**NOTICE OF ANNUAL MEETING**

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The 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 21, 2006, at 11:00 a.m. Pacific Standard Time, for the following purposes:

1. To elect nine Directors for the ensuing year;
2. To approve the 2005 Equity Incentive Plan;
3. To approve the Amended and Restated Certificate of Incorporation;
4. To confirm the appointment of Ernst & Young LLP as auditors of the Corporation for fiscal year 2006;  
and
5. To transact such other business as may properly come before the meeting.

Only shareholders of record at the close of business on January 10, 2006 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 10, 2006

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**PRINCIPAL EXECUTIVE OFFICE**

9333 Balboa Avenue  
San Diego, California 92123

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**PROXY STATEMENT**

Proxies in the form enclosed with this statement are solicited by the Board of Directors of Cubic Corporation for use at the Annual Meeting of Shareholders of the Corporation to be held in San Diego, California, on February 21, 2006. 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.

**OUTSTANDING SHARES AND VOTING RIGHTS**

The voting securities of the Corporation consist of its Common Stock, without Par Value, of which 26,719,845 shares were outstanding at December 30, 2005.

A quorum of shareholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by shareholders present at the meeting or by proxy. Shares will be counted towards the quorum only if shareholders submit a valid proxy or vote in person at the Annual Meeting. Abstentions and broker non-votes will be counted towards the quorum requirement.

Only shareholders of record on the books of the Corporation at the close of business on January 10, 2006 will be entitled to vote at the meeting. On the record date, there were 26,719,845 shares outstanding and entitled to vote. Each holder of common shares is entitled to one vote for each said 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. Broker non-votes have no effect and will not be counted towards the vote total for any proposal except for the approval of the Amended and Restated Certificate of Incorporation. For such proposal, broker non-votes will have the same effect as "Against" votes. Proxies without authority to vote will not be counted in votes cast.

The approximate date on which the proxy statement and form of proxy are first being sent or given to security holders is January 17, 2006.

**ELECTION OF DIRECTORS**

Nine Directors comprise the authorized membership of the Board of Directors of the Corporation. Nine Directors are to be elected by a plurality vote at the Annual Meeting, each to hold office for the term of one year and until his successor is elected. The Nominating Committee has unanimously recommended the election of the following nine Directors. Proxy holders will, unless authorization to do so is withheld, vote the proxies received by them for the election of the following Directors, all of whom are now in office, 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 RECOMMENDS YOU VOTE FOR EACH OF THE NOMINEES LISTED BELOW.**

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## IDENTIFICATION OF DIRECTORS

*Walter J. Zable, 90, Director since 1951.* Chairman of the Board, President and Chief Executive Officer and Chairman of the Executive Committee since 1951.

*Walter C. Zable, 59, Director since 1976.* Vice Chairman of the Board, Member of the Executive Committee, and Vice President since 1976. Chairman of the Board of Cubic Transportation Systems, Inc., a wholly-owned subsidiary since 2003. Prior thereto he held a variety of management positions in the Corporation. He is the son of Walter J. Zable.

*Dr. Richard C. Atkinson, 76, Director since 1999.* Independent director. Member of the Audit and Compliance Committee. President-Emeritus of the University of California since 2003. From 1995 to 2003 he was President of the University of California. Dr. Atkinson has been a Director of Qualcomm, Inc. since 1991.

*William W. Boyle, 71, Director since 1995.* Senior Vice President. 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.

*Raymond L. deKozan, 69, Director since 2002.* Senior Group Vice President. Vice President from 1982 to 2004. From 1973 to 1981 he was Vice President, and from 1981 to 2003 was Chairman of Cubic Transportation Systems, Inc., a wholly-owned subsidiary. He has been Chairman of Cubic Transportations Systems, Ltd., the Corporation's U.K. transit company since 1980. Mr. deKozan has performed various management functions for the Corporation or its subsidiaries since joining the Corporation in 1960.

*Robert T. Monagan, 85, Director since 1986.* Independent director. Chairman of the Executive Compensation and Nominating Committees and Member of the Audit and Compliance Committee. President of the California Manufacturers Association (1974 to 1984). Vice Chairman of the Northern California State World Trade Commission since 1996. Speaker of the California State Assembly (1969 to 1972). Regent of the University of the Pacific since 1991.

*Raymond E. Peet, 84, Director since 1987.* Independent director. Chairman of the Audit and Compliance Committee, Member of the Executive, Nominating and Executive Compensation Committees. Retired Vice Admiral, United States Navy. Active duty in the United States Navy from 1939 to 1974. Chairman of San Diego Dialogue (1997 to 2002) and Member (1982 to 1996) of the Board of Consultants to the Controller General of the United States. Chairman of the Price REIT from 1994 to 1996 and Chairman of its Audit Committee from 1991 to 1996.

*Dr. Robert S. Sullivan, 61, Director since 2004.* Independent director. Member of the Executive Compensation Committee and Audit and Compliance Committee. Since 2003 he has been Dean, Rady School of Management, University of California, San Diego. 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 has been a Director of Stewart and Stevenson Services, Inc. since 1992. This company is a designer and manufacturer of specialty equipment for the oil field, airline, defense and power generation industries. It employs 3,000 people and its fiscal 2005 sales exceeded \$1.15 billion.

*Robert D. Weaver, 59, Director since 2004.* Independent director. Member of the Audit and Compliance Committee. Mr. Weaver has been a Certified Public Accountant since 1972. He is a private investor. From September 2001 to June 2005 he was President and Chief Financial Officer of Crown Bolt Inc., a privately-held national distributor of fasteners and hardware. He was with the international CPA firm Deloitte & Touche LLP from 1970 to 2001 where his duties included Audit Partner in charge of the San Diego Emerging Business, High Technology and Consumer Business groups.





### **Communications with Directors**

Any security holder may communicate in writing by mail at any time with the whole board or any individual director (addressed to Board of Directors or to a named director, c/o Corporate Secretary, 9333 Balboa Avenue, San Diego, CA 92123). All communications will be promptly relayed to the appropriate directors. The Corporate Secretary will coordinate responses, if any.

### **Annual Meeting Attendance**

It is the policy of the Board of Directors that its members are encouraged to attend the Annual Meeting of Shareholders. The 2005 annual meeting was attended by eight incumbent directors.

### **IDENTIFICATION OF EXECUTIVE OFFICERS**

*Gerald R. Dinkel*, 59, Vice President. President and Chief Executive Officer of the Defense Group since 2000. For the prior 28 years Mr. Dinkel held a variety of management positions with Westinghouse Electronic Systems.

*Richard A. Efland*, 59, President and Chief Executive Officer of the Transportation Systems Group since February 2005 and its Senior Vice President Group Engineering from 2003 until 2005. He has been a Cubic employee since 1977 serving in a variety of engineering and management capacities.

*Mark A. Harrison*, 48, Vice President-Controller since 2004 and Vice President-Financial Planning and Accounting from 2000 to 2004. From 1991 to 2000 Mr. Harrison was Assistant Corporate Controller and Director of Financial Planning of Cubic and since 1983 held a variety of financial positions with the Corporation.

*William L. Hoese*, 68, 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, of comparable size to the Corporation. During 2002 he was a legal expert witness and arbitrator. 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.

*Daniel A. Jacobsen*, 54, Vice President-Audit since 2003. Since June 2005 he has been Acting Vice President Contracts at Cubic Transportation Systems. Mr. Jacobsen has held a variety of financial and management positions with the Corporation and its subsidiaries since 1981.

*Kenneth A. Kopf*, 55, Vice President and Chief Legal Officer since July 2005; General Counsel from 1998 to 2005 and Assistant General Counsel from 1986 to 1998.

*Bernard A. Kulchin*, 74, 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. Minter*, 54, Vice President Information Technologies since 2002. He was Director of Information Technologies from 2000 to 2002 and from 1994 to 2000 was Manager, Systems Integration.

*John D. Thomas*, 52, Vice President Finance and Treasurer since 1992 and has held a variety of management positions with the Corporation since 1980.



**BOARD OF DIRECTORS AND BOARD COMMITTEES**

During the fiscal year 2005, five meetings of the Board of Directors were held. Each of the incumbent Directors attended 75% or more of the aggregate of (1) the total number of Board meetings and (2) the total number of meetings held by all Board Committees on which he served. Non-management Directors were 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. Non-management directors also participate in the Corporation's 1998 Stock Option Plan and each have been granted options to purchase 4,500 shares of the common stock of the Corporation in accordance with the terms of the Plan. Directors who are salaried employees of the Corporation are not separately compensated for their services as Directors. All Directors are reimbursed for travel expenses incurred for attendance at meetings.

**Audit and Compliance Committee**

All non-management directors are members of this Committee. The Committee met six times during the fiscal year. Each of the members of the Committee is independent as defined under Section 121(A) of the Company Guide of the American Stock Exchange. The Committee operates under a written charter adopted by the Board of Directors which is available at [www.cubic.com/corp1/invest/governance](http://www.cubic.com/corp1/invest/governance). Mr. Weaver has been designated by the Board as the Audit Committee Financial Expert.

The Committee oversees the Corporation's financial reporting process. It is responsible for the appointment, retention and termination of the independent auditors and their compensation. It shall resolve any disputes between management and the auditors. It must pre-approve 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 periodic reports from the auditors. 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.

**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 auditors of the Corporation for fiscal year 2005. The Committee has reviewed and discussed with management and the independent auditors the audited financial statements of the Corporation for the fiscal year ended September 30, 2005. The Committee has also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Accounting Standards No. 61 and has received from Ernst & Young LLP the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with Ernst & Young LLP the independence of Ernst & Young LLP.

Based on its review of the audited financial statements for fiscal year 2005 and its discussions with management and the independent auditors, the Committee recommended to the Corporation's Board of Directors that the audited financial statements be included in the Corporation's Annual Report on SEC Form 10-K.

/s/ Raymond E. Peet, Chairman  
/s/ Dr. Richard C. Atkinson

/s/ Robert T. Monagan

/s/ Robert D. Weaver  
/s/ Robert S. Sullivan

### **Executive Compensation Committee**

The members of this Committee are Robert T. Monagan, Chairman, Raymond E. Peet and Dr. Robert S. Sullivan. The Committee held five meetings during fiscal 2005. Each of the members of the Committee is independent as defined under Section 121(A) of the Company Guide of the American Stock Exchange. The base and bonus compensation of the Corporation's Chief Executive Officer and the other executive officers are set taking into consideration individual and corporate performance and compensation of executives employed by competitors.

During the fiscal year, no executive officer of the Corporation served 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 Corporation. No member of the Committee is a former or current Officer or employee of the Corporation or any of its subsidiaries.

### **Report of the Executive Compensation 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.*

### **Compensation Philosophy**

The Corporation's goal is pay for performance and therefore the Corporation uses a merit philosophy. The objective is to reward performance and remain competitive by setting the base salaries and incentive compensation of the Corporation's executive officers to attract and retain qualified people necessary for the continued successful operation and growth of the Corporation and its subsidiaries.

### **Elements of Executive Compensation**

Currently, Cubic's compensation structure for executive officers consists of a combination of base salary, performance bonuses and long-term incentives. Executive officers are also entitled to participate in benefit plans generally available to all full-time employees. Historically, the Corporation has not used stock awards as part of its compensation of executive officers. The Chief Executive Officer and other executives may receive stock awards in the future pursuant to the Corporation's equity incentive plan, but there are no current plans to include such awards in the executives' total compensation.

The base and bonus compensation of the Corporation's Chief Executive Officer and the other executive officers are set taking into consideration individual and corporate performance and compensation of executives employed by competitors. The Corporation analyzes and arrives at what percentage of payroll should be established as a merit fund and used for merit increases. The application of the merit process is carried out within each business unit with the assistance of the Human Resources Department, and the base salary structure is annually reviewed in relation to the practices of companies in similar businesses and of similar size. Competitive input on base, bonus and non-cash compensation is received from two nationally recognized compensation surveys, with a focus on technology companies that are comparable to Cubic in revenues. The data is ranked by percentile, from 5th percentile to 95th percentile, and the Corporation's compensation is targeted at the median of the base and bonus compensation and is below median when non-cash compensation is included. This data is then reviewed with the senior executives of the business units and with the corporate office.

Executives are eligible to participate in an annual incentive bonus plan and a three year long-term incentive bonus plan, each of which is generally based on objective financial goals selected by the Committee (such as sales, operating profit, return on net assets and earnings per share) established at the beginning of each year. The most recent long-term incentive bonus plan covered the three-year period

ending with fiscal 2004, and the Committee is currently establishing a new long-term incentive bonus plan covering the three-year period beginning with fiscal 2006. However, the annual incentive bonus plan for fiscal 2005 in which certain executives, recommended by senior management and approved by the Committee, participated, was based on a subjective determination of each individual executive's performance during fiscal 2005 and the objectives attained by such executive's business units. Executive officers' bonuses for fiscal 2005 were generally flat relative to the fiscal 2004 bonuses (excluding the long-term incentive bonus paid in fiscal 2004, one-third of which was attributable to 2004 performance) because of the mixed results of growth in revenue and earnings contribution in the Corporation's defense segment and revenue and earnings issues in the Corporation's transportation segment.

#### **Chief Executive Officer Compensation**

The Committee's approach to establishing the compensation of Walter J. Zable, the Corporation's Chief Executive Officer, was based upon the analyses discussed above. Mr. Zable's base salary has remained relatively flat for three years. Additionally, Mr. Zable was granted an annual performance bonus of \$250,000 for the fiscal year ended September 30, 2005, which is consistent with the bonus philosophy for all executive officers.

/s/ Robert T. Monagan, Chairman

/s/ Raymond E. Peet

/s/ Dr. Robert S. Sullivan

#### **Nominating Committee**

Cubic Corporation has had a Nominating Committee, consisting of two independent directors, since 1991. The current members of the Committee are Robert T. Monagan, Chairman and Raymond E. Peet. The Committee held two meetings during fiscal 2005. The Committee has a Charter, which is available at [www.cubic.com/corp1/invest/governance](http://www.cubic.com/corp1/invest/governance). The Committee has not considered shareholder proposals for nomination as directors in the last seven years and has not received an unsolicited proposal regarding a candidate who might possess appropriate background and experience during that time. The Board consists of nine directors, five of whom are independent. Three of the independent directors were elected 5, 17 and 18 years ago and have served with distinction since their election. No replacement of any director is currently contemplated. The Committee's policy is that it will consider recommendations of the security holders which are received by the Corporate Secretary at least 120 days prior to one year from the date 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 consults with Board members and senior management personnel to identify candidates whom they would recommend be considered and will review any security holder recommendations on file. It screens and personally interviews appropriate candidates. Selected candidates meet with some 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 management and Board nominee for election or appointment.

**Ownership of Common Stock**

The following table sets forth, as at December 1, 2005, information with respect to persons known to the Corporation to be the beneficial owner of more than 5% of the Corporation's outstanding Common Stock (after deduction of Treasury Shares):

Title Class	Name and Address	Amount Beneficially Owned(1)	Percent Owned
Common	Walter J. Zable  P. O. Box 1525 Rancho Santa Fe California 92067	10,679,891(3)	40.00 %

The following table sets forth information with respect to beneficial ownership of the Corporation's Common Stock by Directors and all Officers and Directors as a group as at December 1, 2005. Where such number of shares exceeds 1% outstanding on such date the percentage of such class is indicated in parentheses. Except as indicated, each individual named has sole investment and voting power with respect to the securities shown.

Name	Amount Beneficially Owned Directly or Indirectly (1)
Walter J. Zable (40.0%) (2)	10,679,891 (3)
Walter C. Zable (1.6%)	416,907 (4)
Dr. Richard C. Atkinson (5)	15,900
William W. Boyle	1,800
Raymond L. deKozan	792
Robert T. Monagan (5)	8,200
Raymond E. Peet (5)	36,965
Robert S. Sullivan (6)	1,125
Robert D. Weaver (6)	1,125
All Officers and Directors as a Group (18 persons)(41.8%)	11,168,261

(1) All shares of common stock indicated as being beneficially owned are owned directly except for Walter J. Zable and Walter C. Zable.

(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.

(3) Walter J. Zable's shares are beneficially owned through Trusts and a public benefit charitable corporation, the terms of which establish sole voting power in Mr. Zable.

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

(5) Includes an option to purchase 4,500 shares of Common Stock.

(6) Vested options to purchase Common Stock.



**EXECUTIVE COMPENSATION AND OTHER INFORMATION**

The following table sets forth all cash compensation earned (whether received or deferred at the election of the individual) by the Chief Executive Officer and the five most-highly compensated executive officers whose compensation exceeded \$100,000 for services rendered in all capacities to the Corporation and its subsidiaries during or with respect to the 2005 fiscal year:

Name	Position	Year	Annual Compensation(A)		Long Term Compensation (C)	All Other Compensation (D)
			Base Salary	Bonus (B)		
W.J. Zable	Chairman of the Board President and Chief	2005	\$ 660,000	\$ 250,000		\$ 17,425